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ABSTRACT

This report describes an array of innovative strategies and practical ideas for helping low-income families with children. There is a window of opportunity for these new strategies as many states have tremendous financial resources available. The Temporary Assistance For Needy Families (TANF) program rules have been clarified, and families are running up to the time limits which welfare reform imposed in 1996. The proposals are organized into three categories. The first, providing work supports for low-income families, includes suggestions for: (1) worker stipends; (2) state earned income tax credits; (3) transportation assistance; (4) accessible and affordable child care; (5) job retention and advancement services; (6) short-term aid; (7) expanded health care coverage; and (8) incentives to pay child support. A second section discusses addressing barriers parents face to enable them to work, and the third section considers the needs of specific populations, such as the disabled, legal immigrants, victims of violence, and low-income noncustodial parents. The primary focus is on promising initiatives that can be financed through the use of federal or state welfare funds. Two innovative strategies that can draw on federal or federally matched funds available through the Medicaid or food stamp programs are also included. Appendixes A and B discuss the rules governing use of TANF, and Appendix C discusses food stamp eligibility and benefits. Two other appendixes contain resources for additional information and a list of proposals cited in the report. (SLD)

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Windows of Opportunity

Strategies to Support Families Receiving Welfare and Other Low-Income Families in the Next Stage of Welfare Reform

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Introduction

Three years have passed since sweeping federal welfare legislation gave states broad authority to restructure their welfare systems. The 1996 repeal of the Aid to Families with Dependent Children (AFDC) program and the creation of block grants to states under a new Temporary Assistance for Needy Families (TANF) program represented one of the most dramatic shifts in federal social policy in decades. In every state, the delivery of welfare services has been altered under TANF to emphasize work, primarily through a "work first" approach that seeks to move parents as quickly as possible into the labor force.

The early TANF years have demonstrated that this approach, coupled with policies such as an expanded federal Earned Income Tax Credit and strong economic growth, can lead to increased employment. Employment rates among welfare recipients and low-income women more generally have climbed sharply during the past three years. This increase in work has contributed to dramatic declines in the number of families receiving welfare in many states. Welfare caseloads across the nation have fallen by half from their peak in 1994.

Unfinished Agenda of Welfare Reform

These achievements are important and widely recognized. At the same time, most state and community leaders understand that daunting challenges remain. The unfinished agenda of welfare reform is reflected in three realities:

- **Most parents leaving welfare for work earn too little to support their families.** Recent research shows that most families leaving welfare for work are employed full-time or nearly full-time but remain poor because they are paid very low hourly wages. Many of these families also fail to receive key work supports — including child care assistance, Medicaid coverage, and food stamps — even though they continue to be eligible for this help. Limited job skills or educational levels among most former recipients suggest that they will find it difficult to move up the economic ladder without additional supports.

- **Some families have left or been dropped from the welfare rolls without work.** Tough sanction policies and caseload reduction goals in many states have left substantial numbers of families with neither welfare benefits nor earnings from work. Many of these families appear to have fallen between the cracks and deeper into poverty. Between 1995 and 1997, average

disposable income for the poorest fifth of all single-parent families with children fell by $580, a decline of 6.7 percent.

- **Many families remaining on welfare have very serious unmet needs.** Problems such as learning disabilities, domestic violence, substance abuse, and physical or mental health conditions create barriers to sustained employment for large segments of the remaining welfare caseload. Many of these families, as well as substantial numbers who have been sanctioned or otherwise left welfare without work, need far more help than provided by the "work first" programs operating in most states if they are to succeed in work settings. States should use the time that remains — before many of these families reach time limits on welfare receipt — to address the substantial barriers to employment these families face.

Some states are utilizing the flexibility that now exists in the welfare program to respond to this unfinished agenda with new initiatives or program modifications, a shift described by some analysts as the next phase of welfare reform. The challenge for this new phase is to develop effective, broad-based strategies for assisting parents with barriers to work; increasing the sustainability of work through key supports; helping parents secure the education, training or work experience they need to secure better paying jobs; and reducing poverty among families and children.

Windows of Opportunity

This is an auspicious time to enter the next phase of welfare reform. Extraordinary "windows of opportunity" have emerged that markedly enhance prospects for states' success. This year is a particularly important time for state innovation for three reasons:

Many states have tremendous financial resources to invest in new efforts. Each state receives a fixed allotment of federal funds through the TANF block grant. The size of this allocation is based on the amount the state received for welfare in the mid-1990s, when caseloads were much larger. As caseloads have declined, most states have accumulated large "surpluses" of block grant funds and continue to spend less than their full annual TANF allocation each year. These unspent balances give many states the opportunity to support new or expanded initiatives for low-income families while still maintaining a "rainy day" reserve for use during a future economic downturn.

New TANF rules clarify and expand state flexibility. Final federal TANF rules issued in April of 1999 make it significantly easier for states to use welfare funds to help low-income families, particularly those that are not receiving cash welfare payments. The final rules clarify that states can use federal TANF funds (and "maintenance-of-effort" funds that states must spend as a condition of receiving their TANF allocations) to help families that, while still low-income, have incomes too high to qualify for ongoing cash welfare. When these supports are provided to low-income working families, TANF requirements such as time limits or assignment of child support rights to the state are not triggered.

States can provide supports to low-income working families without regard to whether the family has recently received welfare or not. For example, a state could use TANF funds to provide child care or transportation subsidies to all working families with incomes under 200 percent of the poverty line, including both recent welfare recipients and those who have not been on welfare. This new flexibility gives states an opportunity to eliminate the inequities that arise when work supports are provided to current or former welfare recipients but denied to other low-income working families. By providing such aid to all working families below a specified income level, without regard to their welfare status, states can offer needed help to the working poor and bolster their efforts to keep families from ever coming onto the welfare rolls.

Time clocks are running. In most states, families will be reaching time limits that states have imposed on receipt of cash welfare in the next two years. It is crucial that states use the remaining time to assist families facing time limits to prepare for employment.

In addition, time clocks are running on the opportunities presented by available TANF funding and TANF regulations that encourage state flexibility. These opportunities are unlikely to persist over the longer term if states do not take advantage of them now. The TANF program was authorized by Congress for six years, through 2002. When Congress considers options for reauthorizing the program, it will examine how fully and how well states have used TANF allocations to meet the needs of low-income families. If states do not reinvest welfare savings in successful and promising efforts, they are likely to lose the chance to do so in the future; it seems likely that Congress would seek to reduce block grant funding substantially if states are not using the funds to advance welfare reform goals. On the other hand, states can gain public and congressional support for programs that move beyond "welfare as we knew it" and provide broad support for low-income working families.

The Scope and Structure of This Report

This report describes an array of innovative strategies and practical ideas for helping low-income families with children. The proposals that follow are organized into three categories:

- supporting the efforts of low-income working families;
- providing more intensive services to families with barriers to employment; and
- meeting the needs of specific populations.

This report is designed to offer a menu of options from which states can select as they move to address remaining challenges during the next phase of welfare reform. Readers should keep in mind that some proposals described in this paper may promote more than one of the above goals and that not every proposal will be suitable or appropriate for every state.

The primary focus of this report is promising initiatives that can be financed through the use of federal or state welfare funds. Two innovative strategies that can draw upon federal or federally-matched funds available through the Medicaid or food stamp programs also are included.

In considering initiatives that could be supported using federal and state welfare funds, it is important to note that the key TANF requirements do not apply to all uses of TANF. In essence, time limits and other requirements apply only when TANF funds are used to provide benefits or services that serve the same purpose as a welfare check — helping families meet basic needs on an ongoing basis. These benefits fall under the definition of "assistance" as established in the TANF rules. Many other uses of TANF funds, particularly work supports for employed families, do not carry the major TANF requirements because they do not fall under the definition of "assistance."

Moreover, the rules and restrictions that apply to TANF funds do not apply in all instances to "maintenance-of-effort" (MOE) funds that states must spend as a condition of receiving their federal TANF allocation. This gives states greater flexibility in how they design their welfare reform programs. A fuller discussion of the rules governing the use of federal TANF and state MOE funds can be found in Appendices A and B, along with a discussion of the impact of many of the proposals contained in this report on food stamp eligibility and benefit levels in Appendix C.

Each of the proposal descriptions that follow contain only a fraction of the information and resources currently available that may be of interest to policy makers and community leaders. The

States Can Take Steps to Ensure that Families Not Receiving Welfare Receive Food Stamps and Medicaid Benefits

While states consider enhancements to their welfare reform efforts, they also should ensure that families receive important nutrition and health coverage supports for which they already qualify. It is now widely-acknowledged that state welfare reform efforts have led to unintended declines in receipt of food stamps and Medicaid by eligible families. A recent study by the Urban Institute found that fewer than one-third of families that left welfare subsequently received food stamps, even though most families had incomes low enough for the family to continue to receive this benefit. Similarly, the study found that parents received Medicaid in only one-third of the families and children received Medicaid in less than half the families after leaving welfare. Some or all family members should qualify for Medicaid in nearly all such families.

Lack of health coverage and nutritional assistance for families making the transition from welfare to work threatens the success of state welfare reform efforts. This problem has been recognized by the Department of Health and Human Services, which recently has proposed rules that would consider the extent of participation of low-income families in food stamps, Medicaid or the Children's Health Insurance Program, in awarding a portion of the $200 million annually available to states as a TANF High Performance Bonus. Actions states should consider taking to ensure that food stamp and Medicaid programs reach eligible families include the following:

- Implementing procedures that are friendly to working families including reviewing eligibility less frequently and allowing eligibility reviews to be accomplished by mail;
- Ensuring that procedures for continuing food stamps and Medicaid when TANF benefits stop are effective, including reviewing computer systems, emphasizing training of caseworkers and ongoing monitoring of results;
- Engaging in outreach or community education campaigns so that families that lost food stamps and Medicaid learn of available benefits;
- Ensuring that a TANF recipient's request to "close my case" does not result in unintended closure of food stamp or Medicaid benefits; and
- Taking corrective actions when warranted, including reinstating benefits for families that improperly lost them upon closure of their TANF cases.

reference list included in Appendix D provides a useful guide for readers interested in learning more about most of the topics covered in this paper. Further information and technical assistance also is available from the Center. Requests for such assistance should be directed to the State Low-Income Initiatives Project (SLIIP) staff at the Center on Budget and Policy Priorities.

PROVIDING WORK SUPPORTS TO LOW-INCOME FAMILIES, INCLUDING THOSE LEAVING WELFARE

Worker Stipends

Proposal

To enhance the well-being of working poor families by providing wage supplements to parents who work but earn too little to meet their families' basic needs.

Rationale

Welfare reform efforts in most states have included changes that attempt to "make work pay," that is, to ensure that families are better off financially when parents work. Since the early 1990s, all but eight states have adopted policies that allow families to retain a greater share of their prior welfare benefits when they secure employment. Under AFDC, parents who worked more than four months lost nearly one dollar in benefits for every dollar they earned. By contrast, 25 states now allow a family in which a parent is employed half-time at the minimum wage to keep at least half of its earnings without offsetting reductions in cash aid.

Despite these improvements in the treatment of earnings within the welfare system, poor parents in most states still lose all cash aid before their earnings are sufficient to meet their families' basic needs. In 43 states, families become ineligible for assistance before their earnings reach the federal poverty level; in 31 states, benefits are eliminated at earnings levels below 75 percent of the poverty line. (The 1999 federal poverty guideline was $1,157 per month for a family of three.) A recent Urban Institute study of families nationally that have left welfare found that many such families have low earnings and continue to face significant problems obtaining enough food for their families or meeting their housing costs.

Further increases in the amount of earnings that are disregarded when calculating welfare benefits could alleviate these problems and improve the economic circumstances of many working poor families. In the minority of states that still utilize rules similar to those required under AFDC, this expansion of earned income disregards is a crucial step.

At the same time, an approach that relies upon modest stipends provided directly to low-income working families outside the welfare system may offer several advantages over expanded earned income disregards. Worker stipends could:

- reach a greater number of working poor parents in need of such assistance than are currently served under the state's basic welfare program;
- be linked to education, training, and other job retention or post-employment services that support parents working in low-wage jobs;
- provide additional support to working parents without expanding the state's cash assistance program; and
- enhance parents' sense of progress toward long-term goals by enabling families to leave the cash assistance program when they work.

Providing a worker stipend is consistent with the results of a recent national poll, conducted by the W. K. Kellogg Foundation, that found that roughly three-quarters of respondents overall believe the government should provide help for

parents whose jobs do not provide adequate means to take care of their families.

Design Options

A worker stipend program can serve several distinct groups of families with working parents. One option is to view stipends as a broad support for all needy working families and to phase out such aid as family income approaches a specified level. Another approach is to make stipends available for a limited time as a transitional benefit for certain groups of low-income working families (e.g., those that have recently left welfare due to earnings or those that lose eligibility for welfare as a result of time limits). A broad, income-based strategy is likely to be more costly than one designed to offer only transitional benefits, but it also may be viewed as more equitable because it extends aid to low-income working parents who have never turned to welfare for basic income support.

The interaction between a worker stipend program and the state's cash assistance program also should be considered. For example, states can allow working families that remain eligible only for modest welfare checks to leave the cash assistance program and begin receiving stipends instead. Alternatively, a state could provide stipends only to families with earnings high enough to make them ineligible for welfare. (TANF regulations issued in April 1999 clarify that states can provide work supports to families that, while still considered needy, have incomes too high to qualify for the basic welfare program.)

The final TANF regulations indicate that benefits provided as a "work support" to employed families will not be considered "assistance" under TANF and therefore will not trigger various TANF requirements. A worker stipend tied to reasonable estimates of work-related expenses — such as transportation, uniforms, and tools — could fall into this category. The former AFDC and current food stamp benefit formulas assume work-related expenses (other than child care) of roughly $125 to $200 per month for a parent working full-time at the minimum wage. Stipends within this range arguably can be considered "non-assistance," thereby avoiding the need to apply time limit, child support assignment, or other TANF requirements to participating families. Another way to provide a worker stipend without applying time limit and other requirements is to create the program as a "separate state program" funded entirely with state MOE funds.

In implementing a worker stipend program, states should consider ways to administer these stipends in conjunction with other benefits and services that support working poor families, such as child care, food stamps, and Medicaid. States also may choose to link worker stipends with job training and other services that help low-income workers retain jobs and advance in the labor market.

Texas recently established a pilot program that will provide "post-employment stipends" as part of a comprehensive Employment Retention and Advancement Project. Starting in early 2000, some families that have left welfare for work will be eligible for stipends of at least $1,200 a year. These stipends are intended to help pay for services or activities that promote job stability and mobility, such as transportation, education, or training. Participants also will receive case management support with a focus on promoting long-term employment, and they will have access to existing job advancement services. The program will be evaluated to assess its impact.

State Earned Income Tax Credits

Proposal

To supplement the earnings of low-income, working parents by creating or expanding a refundable state earned income tax credit that is based on the federal Earned Income Tax Credit (EITC).

Rationale

Earned income tax credits are an increasingly popular state policy option to help low-income, working families with children. Since 1997, six states have adopted or expanded a state EITC based on the highly effective federal credit. A total of 11 states now have some form of EITC in their state income tax codes.

The *federal* EITC is a tax credit for low- and moderate-income households, primarily those with children. The size of the credit for any individual family is based on family size and annual earnings — for example, families with two or more children receive a credit equal to 40 percent of their annual earnings, with the maximum credit capped at $3,888 in 2000 — and the credit phases out gradually as earnings rise from around $12,000 to $31,000. This structure provides the largest EITC benefits to families with incomes that typically are ineligible for welfare cash assistance even though they remain poor. The credit is refundable, which means that any amount of the credit that exceeds a family's income tax liability is paid to the family as part of a tax refund. While originally created in 1975 to offset regressive payroll taxes, the federal EITC has been expanded three times since the mid-1980s in order to aid the working poor and ensure greater rewards for their work effort.

State EITCs often are calculated as a simple percentage of the federal EITC for any given family. They build on the strengths of the federal credit in several ways:

- A state EITC provides an additional income boost to working poor families — including those who have left welfare for work — thereby lifting even more families out of poverty. The federal EITC alone lifted 4.8 million people in working families with children out of poverty in 1998, more than any other federal means-tested program. A state EITC set at 25 percent of the federal credit provides an annual benefit of up to $972 to families with more than one child; a 15 percent credit provides as much as $583.

- A state EITC offsets the substantial state and local taxes paid by low-income families, particularly regressive state and local sales and excise taxes. The average state and local tax burden for low-income, married-couple families in 1995 totaled 12.5 percent of income. By contrast, the wealthiest families paid an average of 7.9 percent of income in state and local taxes.

- A state EITC reaches most working families in need of assistance. At least four in five eligible families receive the federal EITC, and state experience shows that state EITCs reach roughly 90 percent of families that receive the federal credit. This high rate of receipt is significant in light of the fact that many low-income, working families currently do not receive food stamps, Medicaid, or other key supports for which they are eligible.

Design Options

Nearly all states with an earned income tax credit adopt the same eligibility rules and benefit structure used for the federal EITC. This approach makes the state credit relatively easy to administer and promotes high levels of participation by low-income families. Ten states (Colorado, Iowa, Kansas, Maryland, Massachusetts, New York, Oregon, Rhode Island, Vermont, and Wisconsin) have adopted this approach; only Minnesota has chosen a benefit structure that is somewhat different than the federal credit. Indiana also has a refundable tax credit for working families, but it operates very differently from the federal and state EITCs.

If a state chooses to tie its credit to the federal EITC, it still has important choices to make in three key areas: refundability, size, and financing.

Refundability: If a state EITC is not refundable, it will provide little help to poor families who owe little or no income tax in many states, and it will hinder the credit's effectiveness as an earnings supplement. Eight of the 11 states that have EITCs, including five of six states that recently enacted credits, understood these limitations and chose to make their state EITCs fully refundable. Final TANF regulations also give states another powerful reason to opt for refundability (see funding section below).

Size: In deciding how large a proportion of the federal credit to provide as a state EITC, states face a direct tradeoff between impact and cost. Larger credits provide a greater income boost for low-income families but at greater cost in foregone revenues and tax refunds.

Funding: State EITCs both reduce the amount of revenues raised through state income taxes and, if they are refundable, create new obligations for state expenditures through tax refunds. While states cannot use TANF or MOE funds to replace foregone revenues, they can use these federal funds to pay for the portion of a refundable state EITC that represents refunds in excess of a recipient's tax liability. In many states, the majority of a refundable state EITC's costs could be supported in this manner.

Transportation Assistance

Proposal

To help low-income families, including those receiving or leaving welfare, get to their jobs by providing income-based transportation subsidies, facilitating car ownership, and developing coordinated networks of local "paratransit" services.

Rationale

Welfare recipients, employers, and policymakers all identify transportation as a prerequisite for success in obtaining and retaining employment. In a recent survey of employers, transportation was among the most frequently mentioned needs of welfare recipients entering the workforce. Lack of transportation can be a barrier for several reasons:

- Low-income families often do not live near job opportunities. This "spatial mismatch" can occur in urban as well as rural areas. For example, the greatest entry-level job growth within metropolitan regions often occurs in outlying suburbs, far from concentrations of low-income families residing in central cities.

- Public transportation often is not available or responsive to current needs. Current public transit systems do not exist in many rural areas and typically are not structured to accommodate reverse commuting from central cities to the suburbs. Non-standard work hours and the need to stop at other destinations en route to work (e.g., child care centers) also can make it difficult to use public transportation to get to and from work.

- The cost of car ownership is beyond the means of many low-income families. While estimates vary, available data suggest that most welfare recipients do not own cars. Many other low-income families also find it difficult to buy a car or save enough for a future car purchase. High insurance and maintenance costs pose additional obstacles to car ownership for low-income families.

Design Options

No single strategy or approach will overcome the full range of transportation barriers outlined above. States and communities should consider a combination of the following steps, using TANF as well as other funds to respond to these transportation needs. When TANF funds are used for transportation aid to employed families, this work support is not considered "assistance" under TANF. (See Appendix A for details.)

Income-based transportation subsidies: Monthly transportation assistance — in the form of transit passes, reimbursements, vouchers, or cash payments — can overcome the financial obstacles that prevent many low-income families from getting to and from work. A TANF-funded transportation allowance could be made available to all low-income families below a specified income level. Such a program does not have to be limited to families with incomes low enough to qualify for cash assistance. For example, in New Mexico families with incomes below the poverty level can qualify for transportation aid. A more limited program could be restricted to families leaving welfare for work. Virginia has opted for this approach, providing transitional transportation

allowances for up to 12 months after families leave welfare.

Facilitating car ownership: In both rural and urban areas, a car often is the most practical — and sometimes the only — way for many families to get to work. For this reason, several states currently provide funds to help welfare recipients become car owners. Kansas provides funds for purchase of vehicles and will also cover licensing and insurance costs when needed so long as total expenditures (including car purchase) do not exceed the $5,000 maximum. Between May 1998 and September 1999, Kansas purchased a total of 785 used vehicles for welfare recipients, at an average cost of $1,880. Nebraska provides up to $2,000 for a car purchase — and up to an additional $500 for license, insurance, and taxes — if car ownership will enable a parent to accept an employment offer. Pennsylvania provides up to $750 for a down payment on the purchase of a car, and Michigan provides up to $1,200 for this purpose.

Many communities also have established car ownership programs in which nonprofit groups either solicit donations of used cars or purchase cars (often from public- or private-sector fleets) for welfare recipients or other low-income families. Vehicle ownership programs generally cover the costs of initial repairs, inspection and registration, and in some cases insurance premiums. Families usually make significant contributions toward the cost of the vehicle through low monthly installment payments, affordable leasing plans, or payment of repair costs. The use of TANF or MOE funds can significantly expand the capacity of such programs. A number of states — including Arizona, New York, Texas, and Vermont — as well as counties in Florida and Virginia have used TANF funds to support such programs.

Coordinating "paratransit" alternatives: Networks of alternative transportation providers — including public, nonprofit and for-profit entities — already meet the transportation needs of specific populations, such as people who are elderly or disabled, in many communities. These "paratransit" systems, which provide door-to-door service on an individualized, on-demand basis, can provide the building blocks for development of a broader array of transit alternatives for low-income workers. For example, Kentucky has set up a statewide transportation network with 16 regional brokers that are responsible for providing or arranging transportation services for current or recent welfare recipients (and for Medicaid clients in non-emergency situations). Each broker may use many forms of assistance — including cash subsidies for gas purchases, bus passes, and van services — to meet the transportation needs of its eligible clients. The transportation broker receives a flat or capitated rate for each welfare recipient residing in the broker's service area. This strategy, if implemented effectively, could result in more transit options, greater frequency of service, and more efficient transportation systems for all area residents.

Accessible and Affordable Child Care

Proposal

To create a "seamless" child care system that ensures that all low-income families, including those leaving welfare as well as those that have never received cash aid, can gain access to affordable, quality child care for all hours during which they work.

Rationale

Many states guarantee child care assistance for families receiving welfare who are participating in work-related activities, as well as transitional benefits (typically lasting one or two years) for parents leaving welfare for work. These policies recognize that access to child care is essential if parents are to prepare for and accept employment. States generally have preserved this key support in recent years even though the AFDC requirement that they do so was repealed as part of the 1996 federal welfare law.

Unfortunately, many families that are eligible for child care subsidies do not receive them. Recent state-level studies of families leaving welfare for work show that fewer than one-third obtain such aid. Several factors may account for low receipt rates:

- Many parents do not know they are eligible. When former recipients were asked about child care assistance in state surveys, large proportions (40 to 60 percent) said that they did not know they remained eligible for such aid after leaving welfare.

- Families often are subject to high co-payments. For example, a recent U.S. Department of Health and Human Services study found that single parents with incomes just above the poverty line (between $15,000 and $20,000) are charged median co-payments ranging from $135 to $264 monthly or from $1,620 to $3,168 annually. This amount equals between 11 percent and 17 percent of their total incomes for just one child in center-based care.

- Many low-income parents work "off-hour" shifts, making it difficult to find suitable child care even when subsidies are available. A recent Urban Institute study found that one in four adults who left welfare was working primarily during evening or night-time hours.

The shortcomings of current state child care programs are compounded by the fact that most low-income families with no recent connection to the welfare system do not receive child care assistance. Some states provide child care subsidies based on family income, without regard to past or current welfare receipt, but even in these states many families do not have access to adequate care. Overall, the HHS study concluded that only 15 percent of all families nationwide who are eligible for child care subsidies through the Child Care Development Fund (CCDF), the major source of federal child care assistance, actually receive such subsidies.

Design Options

States have a great deal of flexibility in utilizing federal funds for child care assistance. They can use CCDF, TANF, and state MOE funds to pay for child care directly. They also can transfer up to 30

percent of their TANF allocations for the current year into their CCDF programs.

An effective state child care assistance program should have sufficient funds and avoid waiting lists. It should establish income eligibility limits that are high enough to reach a broad range of low-income families that need child care. In addition, a well-organized system of resource and referral services should provide up-to-date information about child care assistance, help in locating quality child care providers, and educational resources for parents. Other critical design elements include:

Affordable co-payments: Sliding fee scales should be established to ensure that parents are not expected to contribute more than they can afford. Co-payments can be reduced by disregarding a portion of parents' incomes when determining the subsidy amount. Subsidies should be reduced gradually as income rises to avoid sharp jumps in co-payments.

In the past year, at least 11 states reduced their required co-payments so that low-income families can better afford child care. For example, Kentucky eliminated co-payments for any family with an income less than $700 per month. Oklahoma lowered co-payments for all families and eliminated the co-payment for families whose gross income does not exceed 75 percent of the poverty line. Illinois recently instituted a 10 percent earned income disregard resulting in lower co-payments for working families.

Access to care during non-standard hours: Child care centers should be created or expanded to be accessible to parents who have to work during non-standard hours, such as weekends or late nights. Enhanced reimbursement rates should be provided to centers that provide care at these times. In addition, expanded training and start-up initiatives should be targeted toward off-hour care providers.

A recent Children's Defense Fund study found that some states are taking steps to respond to off-hour child care needs. For example, after implementing a study of child care needs and off-hour care availability, the District of Columbia increased reimbursement rates to 10 percent above the regular day rates for evenings, and 15 percent higher for weekend rates. The District also changed its licensing fee rules to encourage providers to change their licenses to provide off-hour care. Washington State recently decided to reinvest a portion of its TANF funds for differential rates for care during non-traditional hours. Illinois, Missouri, Ohio, and West Virginia also improved reimbursement rates for off-hour care in the past year. In addition, at least eight states (including Arkansas, California, District of Columbia, Florida, Idaho, Pennsylvania, Virginia, and Wisconsin) have expanded training and start-up initiatives to increase the supply of off-hour child care.

Job Retention and Advancement Services

Proposal

To help current and former welfare recipients maintain their present employment, move into better jobs, or obtain the education and training needed for career advancement.

Rationale

Despite a growing economy, the number of "good jobs" (characterized by higher wages, benefits, and opportunities for advancement) for low-skilled workers has been on the decline. A recent Urban Institute study found that three in 10 parents nationally who have left welfare return within two years. Studies of families who have left welfare find that many parents work, but they typically are employed in low-wage jobs that lack benefits and are often short-lived:

- Average wages of parents leaving welfare range from $5.50 to $7.50 per hour. These wages appear to rise very little during the first five years of employment.

- As many as three-fourths of parents who leave welfare for work do not receive employer-provided health insurance benefits.

Research on job retention and advancement suggests some potential ways to break this pattern of unstable jobs, low wages, and few or no benefits. For example, various studies have found that job retention is closely associated with the following factors: finding an initial job at higher wages; working steadily in an initial job; and finding a job with benefits. Some of these factors, as well as several others, also are linked to a greater likelihood of moving into better, higher-paying jobs. Factors associated with job advancement include: starting out in a higher-paying job; staying in a good job or changing jobs frequently to advance to a better job; working in certain occupations (e.g., clerical, production/manufacturing, and private sector health care and child care); and developing basic skill levels and obtaining education beyond high school.

Design Options

Services designed to help welfare recipients or former recipients maintain employment and move into better jobs should incorporate the strategies designed to meet both of these goals and should take a somewhat individualized approach.

Help recipients get better jobs initially. States are beginning to realize the benefits of ensuring that recipients are placed in good jobs with higher wages, thereby increasing the likelihood of steady employment and wage growth over time. For example, a welfare-to-work program called "Steps to Success" in Portland, Oregon helps parents map out career plans, encourages those with low skill levels to participate in training or education, and works with them to find jobs that offer above-minimum wages, decent benefit packages, and opportunities for advancement. When needed, participants are also referred to social service providers, such as those offering mental health and substance abuse treatment. Evaluations of Portland's program have found that, compared with other "work first" programs, employment rates and earnings gains were higher over a sustained period of time. Other welfare-to-work programs have also been successful in helping recipients find higher paying jobs initially. Some of these include the GAIN (Greater Avenues to

Independence) programs in Alameda and Butte Counties in California, and the Options program in Baltimore, Maryland.

Provide extended case management services to employed families. Follow-up case management services can help parents retain jobs and move ahead in their careers by addressing personal and work-related barriers, ensuring receipt of key work supports (including food stamps, Medicaid, child care subsidies, and the federal Earned Income Tax Credit), and offering career counseling. Case managers also can assist in resolving conflicts at the workplace or in providing immediate re-employment services to parents who lose their jobs. The Vocational Foundation, Inc. (VFI) in New York City uses "career advisors" to reach out to new workers and their job supervisors, contacting them within the first few days of a new job and maintaining weekly contact with workers for several months. VFI offers multi-faceted support to program participants, including mentoring and emotional support, referrals to outside services, personal budget development, training programs (including workshops in "soft skills"), and ongoing career advice.

In Rhode Island, caseworkers in the Employment Retention Services Unit also work with TANF recipients as well as employers. Staff build relationships with recipients before they are placed in jobs, undertaking a detailed assessment of employment barriers and support needs to prevent potential problems on the job. Case managers are responsible for job development, placement, and retention, and they have small caseloads so that they are able to work very intensively with each recipient.

Ensure that low-income working families have access to all benefits for which they qualify. Research on job retention points to the fact that supports such as food stamps, medical coverage, and child care can help low-income parents maintain employment. Case managers in employment retention programs can help families access these important work supports by explaining what they are eligible for and helping them to apply. In addition, they can help to ensure that families already receiving Medicaid and food stamps do not inappropriately lose these benefits when they begin to work.

Short-Term Aid

Proposal

To respond effectively to temporary crises, such as potential loss of housing or transportation to work, in a manner designed to prevent longer-term reliance upon cash assistance whenever possible.

Rationale

Many low-income families experience temporary financial crises that can jeopardize family stability or a parent's employment. Unanticipated expenses or loss of income often cause poor families to fall behind on rent or utility payments, posing threats of eviction or a utility cut-off. A car breakdown may disrupt work or training activities if parents lack the money for necessary repairs. The illness of a child or other family problems that require a parent to take even a few days off from work also can create serious budget problems for low-income families. In each of these instances, failure to intervene quickly on a family's behalf can have devastating consequences.

A 1999 Urban Institute study documents the high frequency with which these types of short-term economic crises occur. Among families with children and incomes below twice the poverty line (almost $28,000 for a family of three in 1999), one-third had missed a rent, mortgage, or utility payment in the past year. Roughly half had experienced food shortages or worried about running out of food due to a lack of money. These findings suggest that short-term assistance can play an important role in helping some families stay on their feet and avoid the need to go on welfare.

A number of states have recognized the potential benefits of short-term aid for families experiencing temporary crises. Thirty-one states operate "emergency assistance" programs which typically provide aid to prevent homelessness or utility cut-offs, and thus play a critical role in maintaining family stability. In most states with emergency assistance programs, aid is available both to families on welfare and off. Another approach used by 23 states is reflected in "cash diversion" programs that make one-time cash payments to needy families, usually with an expectation or requirement that the family not apply for welfare benefits within a specified period. Diversion programs generally are designed to serve families that are working or ready to work but need temporary help to maintain or obtain employment.

Design Options

Particularly in light of new federal regulations governing short-term assistance under TANF, states have great flexibility to provide new forms of aid to families facing temporary crises or to enhance current emergency assistance or diversion programs. States that wish to take advantage of these opportunities should begin by considering the following issues: income eligibility limits, types of aid to be provided, and the relationship between short-term aid and a family's eligibility for other benefits.

Income eligibility: Because short-term aid may prevent the need for greater expenditures on future cash assistance, states should consider broad eligibility criteria that include near-poor families with incomes above the limits set for cash assistance. Most current emergency assistance programs serve low-income families not on welfare in addition to welfare recipients, but most existing cash diversion programs are limited to families that are eligible for welfare benefits. This latter restriction limits states' ability to use short-term aid to help working poor families remain employed and off cash assistance.

Type and amount of aid: While state programs that offer short-term aid often specify the kinds of assistance to be provided (e.g., payment of back rent or utility bills, first month's rent for a new apartment, or car repair costs), some flexibility to address unanticipated problems or needs is quite useful. Many diversion programs provide cash payments that allow families to choose how to best meet their short-term needs. Programs that give case workers some authority to identify families in need for aid, as well as the type or amount of aid (up to reasonable limits), are likely to be the most effective.

Restrictions on access to other types of assistance: Some states permit only one emergency assistance payment in any 12-month period, following prior AFDC rules. Some states also count months in which a cash diversion payment is received toward the state's welfare time limit and/or prohibit families from receiving other cash welfare benefits for a specified time period, sometimes permanently. These restrictions are not required under new federal TANF rules and may limit program effectiveness. Families may turn down diversion aid and instead begin to receive ongoing cash assistance if the diversion payment would make them ineligible for welfare forever.

One interesting model for short-term aid is emerging in Indiana, which is in the process of establishing a Short-Term Empowerment Program (STEP). The program is expected to serve families with incomes up to 250 percent of the federal poverty threshold. Families will be eligible to receive services or benefits — but not unrestricted cash aid — that are intended to help a family remain employed or lead directly to employment. The eligible services are defined broadly and include emergency housing aid. The state's draft plan allows families to receive such benefits only once a year. While the requirement that assistance be tied to *immediate* employment may be somewhat restrictive — for example, an unemployed parent who needs a car repair to search for a job may not be eligible for STEP — it does offer a structure that addresses a broad range of short-term needs.

Expanded Health Care Coverage for Low-Income Working Parents

Proposal

To make health insurance available to low-income parents through Medicaid without regard to whether the parent is a current or former welfare recipient.

Rationale

Health care coverage can provide critical support to low-income working families. States now cover many of the children in low-income working households, but the parents in these same families are at high risk of being uninsured. Nationwide, in 1998, more than one-third of all working parents with annual incomes below 200 percent of the poverty level (almost $28,000 for a family of three in 1999 dollars) were uninsured in 1998. Coverage can help parents gain access to needed health care for themselves and their children while also enhancing their ability to retain employment.

By promoting job retention and making it possible for parents to access coverage without having to receive welfare, Medicaid expansions for parents can advance welfare reform goals. Research on families leaving welfare shows that a large proportion of parents have no coverage, either through the workplace or through Medicaid, within a short time after leaving welfare. For example, a recent Urban Institute study of welfare leavers found that among parents who have recently left welfare, 41 percent were uninsured. Transitional Medical Assistance (TMA) is available to some families who enter the workforce, but TMA is short-term and typically limited to families leaving welfare.

States can address the problem of uninsured parents by extending Medicaid coverage to working parents who have never received welfare as well as to those who have recently left the welfare rolls. There is strong public support for providing health coverage to low-income working families. A recent W. K. Kellogg Foundation national poll of the American public found that 86 percent of those surveyed believe that low-income families should receive help to purchase health insurance if they are unable to afford it or if their employers do not offer it. In addition, 81 percent of those polled believe that working poor families should be eligible for the same kinds of help that people making the transition from welfare to work receive.

Design Options

Until recently, states had little opportunity under federal law to cover low-income parents under Medicaid unless the parent was receiving welfare or had recently received welfare. The 1996 federal welfare law, however, broke the link between welfare and Medicaid. Under the "de-linking" provision (known as section 1931), states are required to cover very low-income parents and they have the option to broaden coverage.

In technical terms, states achieve this broader coverage for parents by adopting section 1931 income "disregards." The U.S. Department of Health and Human Services has indicated that states may use these disregards to "expand coverage of families as far as state budget and policy preferences permit." Depending on the state's Medicaid matching rate, the federal government will finance between 50 percent and 79 percent of the cost of expanding coverage for parents. (The

higher CHIP matching rate may be available for the cost of covering the children.) No federal waiver is required to exercise this option, although some states (such as Wisconsin and Missouri) have obtained waivers in order to charge premiums or make other changes in their Medicaid programs.

A number of states have taken advantage of this flexibility to extend Medicaid coverage to parents in low-income working families. Examples include:

- Wisonsin's "BadgerCare" program offers Medicaid coverage to parents and children with incomes up to 185 percent of poverty and allows them to retain coverage until their incomes exceed 200 percent of poverty.

- Rhode Island provides Medicaid to parents with incomes up to 185 percent of poverty. Connecticut will do so beginning in Spring 2000. New York has plans to cover parents up to 150 percent of poverty. The District of Columbia covers parents and children with incomes up to 200 percent of poverty.

- California and Missouri cover parents with incomes up to the poverty level. In California, parents enrolled in Medicaid can retain coverage until their incomes reach about 150 percent of poverty (about $21,000 for a family of three in 1999).

States also can use the section 1931 option to provide Medicaid coverage to low-income working families for a limited period of time. For example, Ohio will soon offer two years of coverage to parents with incomes up to the poverty level. (Those parents previously eligible for Medicaid will not be subject to this two-year limit.) North Carolina, South Carolina, and New Jersey have taken a different approach, essentially extending their current Transitional Medical Assistance programs to two years by providing an additional 12 months of Medicaid coverage under section 1931 to parents who otherwise would have lost Medicaid due to earnings.

In addition, section 1931 allows states to disregard assets when determining Medicaid eligibility for parents (most states already disregard assets when calculating children's eligibility), and to drop the so-called "100-hour rule" that has prevented many working parents in two-parent families from qualifying for Medicaid.

Provide a TANF or MOE-funded Service to Families Not Receiving Ongoing Cash Assistance to Ease the Food Stamp Vehicle Resource Limits

Proposal

To make food stamps available to low-income families with children (particularly working families) without regard to the value of a motor vehicle the family may own by providing a TANF- or MOE-funded service to trigger "categorical eligibility" for food stamps under a policy USDA issued in July 1999.

Background

No matter how poor a family may be, it ordinarily cannot receive food stamps if it has a car the value of which exceeds the program's resource limits. Since these limits have been adjusted only minimally for inflation over the past 22 years, they deny food assistance to many working poor families because of the cars that family members drive to work. Recipients of AFDC and TANF-funded cash assistance (as well as SSI recipients) have long been exempted from these vehicle resource limits because of a provision of the statute making those families "categorically eligible" for food stamps. As the fraction of poor families receiving cash assistance has declined, however, and the population with earnings has increased, more families that are in need of food stamps have been unable to secure them because of the value of a car a family member needs to find or keep a job. A car that did not count as a resource when the family received cash assistance now disqualifies the family once it works its way off welfare.

On July 14, 1999, USDA issued new guidance on the Food Stamp Program's categorical eligibility rules designed to help address this problem. The Food Stamp Act grants categorical eligibility to "households in which each member receives benefits under a State program funded under part A of title IV of the Social Security Act." USDA's new policy allows states to extend categorical eligibility to families receiving *only services* that secure funding from the federal TANF block grant or state maintenance-of-effort moneys (as well as to families receiving cash assistance).

The services that trigger categorical eligibility for food stamps can be as modest or as intensive as a state deems appropriate. Nor is it necessary that a family actually access a service to be deemed a recipient any more than an individual who has been issued a Medicaid card must go to the doctor to be considered an individual enrolled in Medicaid. For a service to trigger categorical eligibility (and thus to exempt the recipient family from the Food Stamp Program's limits on the value of a vehicle that a family may own), USDA's guidance requires that (1) the state authorize the family to receive the service, (2) the family be told how it may access the service, and (3) at least some TANF block grant or MOE funds help support the service.

Because the USDA policy allows states to confer categorical eligibility based on a service as simple and inexpensive as an offer of access to a case manager, it allows states, with a few simple steps, to exempt substantial numbers of applicant and recipient families with children from the food stamp resource rules and thereby to address the barrier the vehicle limit poses. Taking advantage of this opportunity simply requires the recognition of such a service and minor modifications to the state's procedures for handling families seeking food stamps. The cost to the state could be quite slight.

Rationale

In the many parts of the country where having reliable transportation is crucial to an individual's ability to find and retain steady employment, food stamp resource rules have become increasingly inconsistent with states' welfare-to-work objectives. The Food Stamp Act of 1977 required states to count the fair market value of a car as a resource to the extent that the value exceeds $4,500. In setting this limit, the 1977 House Agriculture Committee report stated that the limit was intended to affect only households with expensive cars, not those with ordinary vehicles needed to commute or look for work.

In the 21 years since the limit was originally set, however, it has been increased only $150 — or about three percent — while the Consumer Price Index for cars has *nearly tripled*. Since the vehicle limit was set at $4,500 in 1977, the CPI-U for used cars has risen 186 percent. For the vehicle limit today to have the same real value that the $4,500 limit had in 1977, it would need to be set at more than $12,800. Stated another way, the current limit equals *just 36 percent* of the 1977 limit's real value. As a result, the vehicle limit has a far more restrictive effect on working poor families today than Congress intended when it established the limit. Indeed, in January 1984, President Reagan's Task Force on Food Assistance, while advancing very conservative proposals in other food stamp areas, warned that the food stamp vehicle limit had eroded excessively to inflation since 1977 and should be raised.

The food stamp program bases eligibility determinations on a vehicle's *fair market value*, not on the equity a household has in its vehicle. A vehicle thus can disqualify a household from receiving food stamps even if the household has little equity in it and would receive little money from selling the vehicle.

This restrictive rule apparently has its sharpest effects on working poor families in rural areas. Census data show that poor rural households are somewhat more likely to own cars than poor urban households are, evidently due to the longer distances and lack of public transportation in rural areas. A significant number of rural poor households are now ineligible for food stamps due to the cars they use to commute to work. Central city residents who must commute to work in low-skilled jobs in outlying suburbs also often find a car essential if they are to hold their jobs.

In addition, the Food Stamp Program's current treatment of vehicles can turn a temporary set-back into a longer-term one when low-income working families lose their jobs. If unemployed households sell their cars to become eligible for food stamps, they may encounter greater difficulty returning to the workforce because lack of a car can make it harder to search for a job or commute to work. Recent research has found that whether a family has a reliable car is an important factor in determining the success of its effort to make the transition from welfare to work.

In designing programs under the TANF block grant, states have recognized that strict limits on the value of vehicles that families may own are often counter-productive. Almost all states apply more liberal vehicle resource rules to their TANF-funded cash assistance programs than they did under AFDC, and over half of the states have established vehicle policies for cash assistance that are far more generous than the policy the Food Stamp Program applies to households *not* covered by categorical eligibility. In addition, most states provide some non-cash TANF-funded services with no vehicle limits at all. Indeed, states have complained that families leaving the cash assistance rolls, or being diverted from cash welfare programs, are unfairly disadvantaged because they are subjected to the food stamp vehicle resource rules while families receiving monthly cash assistance checks have been considered categorically eligible for food stamps (and hence exempt from those rules). USDA's new, expanded approach to categorical eligibility allows a state to dispense with the food stamp vehicle rule for any family to which the state has decided to provide a service supported with TANF block grant or MOE funds.

Design Options

Transitional Eligibility: Some states have discussed using categorical eligibility as the means to provide transitional food stamps to families leaving cash assistance programs, much as states provide transitional child care and transitional Medicaid for some number of months to these same families. Thus, a family leaving cash assistance might receive a TANF-funded service such as case management or information and referral services for 12 or 24 months after leaving the cash assistance rolls and, as a result, be categorically eligible for food stamps for that period. This same treatment could be extended to families diverted from cash assistance.

Income-related Eligibility: Other states are seeking to extend categorical eligibility for food stamps to most or all low-income families with children without regard to whether those families may have had a connection with a cash assistance program. The state simply would authorize TANF block grant- or MOE-funded case management or information and referral services for any family with children that applies for food stamps and whose income and resources (other than vehicles) fall within the Food Stamp Program's eligibility limits (giving the family a pre-printed notice that it had been authorized for these services and could call its eligibility worker for case management advice or information and referral concerning work supports that may be available). Alternatively, the state could make these services available to certain categories of such families with children.

Once the state authorized the family to receive these services, it would not need to inquire further into the family's resources. Also, because the decision about whether or not to provide TANF-funded services to these families is not a food stamp eligibility decision, it would not be subject to review through the food stamp quality control (QC) system. For food stamp purposes all that matters is whether these families have been authorized to receive a TANF-funded service, not the basis on which the state decided to make that service available.

This latter approach – providing services that trigger categorical eligibility without regard to any connection a family might have to a cash assistance program – holds some advantages. First, it supports families that have sought to stay off of cash assistance to the same extent as those that received checks for some period. Second, by covering more families, it increases the effectiveness of the federal food assistance safety net and could reduce demand at food pantries and other emergency food providers. Third, it is administratively simpler in that it eliminates the need for the state to keep track of when a particular family left the cash assistance rolls and would allow the state to disregard the vehicles of a broad, readily recognizable group of low-income households. Finally, it should reduce the errors relating to resources the state incurs under the food stamp QC system by exempting more families from the resource rules.

Beginning in February 2000, Michigan will make any family in which there is an open Medicaid case for a child or pregnant woman eligible for Employment Support Services (ESS) if a family member is currently employed, has worked in the past 90 days, or has a definite job offer. Because ESS are supported at least in part with TANF block grant and MOE funds, these families would become categorically eligible for food stamps. Michigan's Family Independence Agency (FIA) is currently reviewing its plan to see if a simpler definition of categorically eligible households is possible.

Washington State also has notified USDA that it intends to provide TANF-funded case management services to a wide range of families with children that meet the Food Stamp Program's income eligibility limits.

Incentives to Pay Child Support

Proposal

To encourage the payment of child support by noncustodial parents through financial incentives that are structured to improve the economic well-being of their children.

Rationale

As welfare caseloads decline, more single-parent families are relying upon earnings or other sources of income to make ends meet. Child support, if paid on a regular basis, is one of the most important supplements to earned income for such families. Federal and state governments have recognized the key role that child support can play in lifting children out of poverty, and recent child support enforcement measures (e.g., use of tax intercepts, streamlined procedures for paternity establishment, and databases of new hires) have boosted the overall level of child support collections. Nonetheless, significant amounts of child support owed to custodial parents still go uncollected. According to the Urban Institute, the percentage of never-married mothers receiving child support has increased nearly four-fold over the past two decades, but despite this progress only 18 percent of never-married mothers received any child support in 1997.

Incentives for custodial parents to work (such as expanded earned income disregards and federal or state Earned Income Tax Credits) are central elements of many current welfare reform initiatives. Less emphasis has been placed on positive incentives for noncustodial parents to pay child support. A federal requirement under AFDC mandating that the first $50 of child support paid each month be passed through to the custodial parent and disregarded for purposes of calculating welfare benefits was repealed by the 1996 welfare law. While states still have the option under the new law to pass through and disregard any portion of the child support payments made on behalf of children in families receiving welfare, slightly more than half of the states now retain all such payments as reimbursement for federal and state shares of the cost of cash assistance. This policy leaves children no better off than when child support is not paid, and it thus eliminates an important financial incentive for noncustodial parents to meet their child support obligations.

Design Options

Incentives to pay child support can be preserved by passing through and disregarding for purposes of determining the amount of the TANF benefit at least a portion of all payments made by noncustodial parents on behalf of children in families receiving welfare. States also can create new systems of child support incentives or child support assurance that provide matching or supplemental payments to encourage low-income, noncustodial parents to pay child support.

Child support pass-through and disregard: A child support pass-through by itself is important as a way of ensuring that custodial parents know that noncustodial parents are meeting their child support obligations. When the passed-through payments also are disregarded for purposes of calculating welfare benefits, this combined approach enhances the economic well-being of children and enables noncustodial parents to see the direct benefits of their payments. Twenty-three states currently pass through and disregard at least some amount or percentage of child support payments. While a state must give the federal

government its share of any payments collected by the state (unless it establishes a separate state program as described in Appendix B), the total cost to a state of providing additional aid to children through a new or expanded pass-through and disregard is no greater than the cost of providing that same aid through any other policy change or mechanism.

A child support pass-through and disregard can be created or expanded in one of several ways. A state can establish a fixed ceiling on the amount to be passed through to the family and disregarded (e.g., $50 or $100 per month). It can pass through and disregard a specified percentage of the child support payment (e.g., 50 percent). Finally, it can pass through all child support paid while disregarding all or some lesser amount of the payment.

Most of the states that have retained a child support pass-through have kept the $50 monthly limit utilized under AFDC. Nevada has set its pass-through at $75 per month. Connecticut passes through all support to the family and disregards up to $100 per month. West Virginia does not issue a separate child support pass-through payment, but instead adds up to $50 to a family's TANF grant when child support is paid.

Incentives that directly subsidize the payment of child support: In order to increase incentives to pay child support when custodial families are not receiving welfare, states also should consider innovative strategies for matching or supplementing child support payments. For example, matching payments can be made by the state to custodial families for every dollar of child support paid by low-income, noncustodial parents. Matching rates could be reduced for noncustodial parents with higher incomes, with subsidies phasing out completely when the noncustodial parents' incomes exceed a specified level. Child support incentive payments made to custodial families can encourage noncustodial parents to pay child support in much the same way that earned income tax credits now reward work effort.

Incentives to pay child support also can be embedded within a new system of child support assurance (CSA). CSA programs seek to guarantee the payment of child support to children for whom paternity and child support orders have been established. When a child support payment by a low-income, noncustodial parent falls below the guaranteed CSA benefit amount, the state supplements the parent's payment so that the custodial family receives the full CSA benefit. CSA programs can provide an alternative to cash assistance for many low-income, working single-parent families, and they can be linked to or combined with child support incentive payments. Because CSA benefit amounts usually will be lower than welfare grant amounts, parents who are already working are most likely to participate in and benefit from a CSA program.

New York currently operates a demonstration program — known as the Child Assistance Program (CAP) — that is based on the child support assurance model. A 1996 evaluation of CAP conducted by Abt Associates found that the program increased employment, earnings and child support collections. The California legislature also recently approved several county CSA demonstration projects that will begin operating in 2000. One or more of these demonstrations may include some form of child support incentive payment.

ADDRESSING BARRIERS PARENTS FACE IN ORDER TO ENABLE THEM TO WORK

Increase Cash Assistance Benefits

Proposal

To increase the amount of monthly cash benefits provided through TANF so that families receiving assistance can better meet their basic subsistence needs and focus their energies on efforts to find and retain employment.

Rationale

Welfare benefit levels vary from state to state, but generally they are very low. The maximum monthly welfare benefit for a family of three in the median state is roughly $380 a month, or just one-third of the 1999 federal poverty guideline ($13,880). In 14 states, this maximum welfare grant is no more than one-fourth of the amount needed to lift a family out of poverty. Even when food stamp benefits are considered, the combined assistance amount in the typical state leaves a family of three nearly $5,700 *below* the poverty line. In the typical state, the purchasing power of the maximum welfare benefit (adjusted for inflation) fell by half between 1970 and 1997.

These benefit levels do not provide sufficient income for a family to meet its basic needs. Studies have found that one-third of families receiving welfare run out of food at some point during the course of a year or otherwise exhibit signs of hunger, such as cutting back on meal size due to limited food availability. Other research has shown that families receiving welfare are vulnerable to utility shut-offs, evictions, and homelessness. In every state except Alaska, the average metropolitan Fair Market Rent for a two-bedroom apartment — HUD's annual measure of the cost of obtaining decent non-luxury housing — exceeds the state's entire TANF benefit for a family of three. Only one in four families receiving cash aid also receives government housing assistance.

Providing more adequate benefits through TANF can help stabilize families and allow parents to engage more productively in work-related activities. Many parents receiving welfare are so desperately poor that they must spend a great deal of time and energy obtaining help from social service agencies, private charities, relatives, and friends to meet family needs not covered by their welfare benefits. More adequate benefits could relieve these pressures to some extent and also provide some protection against unanticipated events or misfortunes that otherwise would trigger a financial crisis.

Under AFDC, policy makers often expressed concern that higher welfare benefits would undermine parents' work effort and motivation to leave welfare. As a result of this concern, welfare benefits were kept low in many states for families in which parents were able to work but also for families in which parents or other caretaker relatives were unable to work due to disability, age, or other factors. With passage of the 1996 federal welfare law, however, those fears have diminished because most families now receive benefits only on a temporary basis. The federal law restricts federally funded assistance to 60 months for all but a fraction of families receiving welfare, and many states have established even shorter time limits on the receipt of cash aid. Most parents receiving cash benefits under TANF also are required to seek work or participate in other work activities. Parents who do not comply with these requirements run the risk of losing all cash assistance in the majority of states.

Design Options

Policymakers in a growing number of states have enacted grant increases in recent years, an apparent recognition that raising cash assistance benefits can promote welfare reform with little or no negative effects on work effort or welfare caseloads. Increasing benefits also can provide important support to families in which the head is unable to work, including families headed by elderly persons caring for grandchildren, persons with disabilities, or persons caring for a disabled family member. Thirteen states have increased their maximum benefit levels since January 1998. (The increases in two states, Montana and Vermont, reflect automatic annual adjustments.) It is notable that welfare benefits in four of the states that have increased benefits — Mississippi, Tennessee, Texas, and West Virginia — have been among the lowest in the nation and had not increased significantly in at least a decade. West Virginia's increase is $100 per month for a family of three (phased in over two years). The increases in Mississippi and Tennessee are roughly $50 a month for a family of three. Other states that have raised benefit levels since 1998 are California, Idaho, Maine, Maryland, New Mexico, Ohio, and Utah.

States interested in options for increasing their benefit levels may find it useful to consider several objective criteria or standards that can guide their decision making:

- One possibility is to set benefits at a specified percentage of the federal poverty threshold, an approach adopted by Montana and Texas. Because poverty levels are adjusted each year for inflation, this approach generates small annual boosts in welfare grants and thereby preserves the purchasing power of benefits over time.

- Benefit levels also could be adjusted to compensate for past erosion of their purchasing power due to inflation. Under this approach, the size of any grant increase (taking effect immediately or phased in over time) could be tied to increases in the cost of living since the last benefit adjustment or over some other specified period of time.

- A third option is to tie the size of a grant increase to increases in rental costs rather than the overall inflation rate, thereby recognizing the central role that housing costs play in the monthly budgets of low-income families.

Finally, it is worth noting that increases in welfare benefits have the effect of providing more income to families that have begun working their way off welfare as well as those relying solely upon cash assistance for income support. These income gains for parents moving into employment can play a key role in helping them negotiate the difficult transition from welfare to full-time employment.

Increase Work Participation Among Families That Have Not Complied with Work Requirements

Proposal

To increase compliance with state work requirements through steps designed to identify and address individual barriers to participation and compliance, and thereby minimize the use of sanctions for noncompliance that reduce or deny assistance to poor families and that may sever the family's connection to supportive services it needs.

Rationale

Most states impose severe sanctions on families receiving welfare when parents fail to comply with TANF work requirements. More than two-thirds of the states impose full-family sanctions, stopping aid to children as well as parents. Nearly half of these states impose this full-family sanction at the first instance of noncompliance. While there is little comprehensive data available nationally on the prevalence of sanctions — and there is considerable variation among states — current research suggests that more than one-fourth of all case closures in a number of states have been the result of sanctions.

Families subject to sanctions for noncompliance with TANF work requirements are often the most vulnerable and face substantial barriers to employment. A recent Utah study found that three-fourths of sanctioned families had three or more barriers to employment, often including a health or medical problem, lack of transportation, and lack of skills. A Minnesota study concluded that sanctioned families were four times as likely as the caseload as a whole to report chemical dependency, three times as likely to report a family health problem, and twice as likely to report a mental health problem or domestic violence. Finally, parents who are subject to sanctions may have the greatest difficulty understanding program rules and expectations. Recent studies from both South Carolina and Delaware document that sanction rates are highest for those with the least education and work experience. The Delaware study also found that sanctioned individuals were more likely to have trouble comprehending TANF rules and the likely consequences of noncompliance.

These findings are particularly troubling because a state generally loses its link to vulnerable families when full sanctions are applied. Recent studies indicate that families leaving welfare due to a sanction are significantly less likely to be employed than other families that leave the welfare rolls. In contrast, states that persist in working with parents who fail to comply with work requirements, and that take further steps to engage them in work activities, can succeed in furthering key objectives of welfare reform by promoting job preparation and work. In addition, a state that works with a family to achieve compliance makes more progress toward meeting the required federal work participation rates than a state that imposes a partial sanction or full-family sanction.

Design Options

States can structure their sanction policies in a manner that promotes participation in work activities for their most vulnerable families. Particularly in states that limit or delay initial assessments as part of a "work first" approach, failure to comply with work requirements may provide the first indication that a family is in need of a comprehensive assessment and follow-up services.

Assess reasons for noncompliance before imposing sanctions: Some states use a conciliation or review process for parents facing a possible sanction to ensure the parents understand their participation requirements, to determine why parents are not participating in work activities, to provide another opportunity for parents to comply, and to adjust requirements or address barriers to participation as appropriate. For example, under Tennessee's "Customer Service Review" system, reviewers check all cases scheduled for closure due to noncompliance (plus cases scheduled for closure due to other reasons such as time limits) to verify that parents have been properly notified, understand state requirements, and have another opportunity to comply. This process has enabled the state to secure compliance and avoid sanctions in nearly one-third of all such cases. A similar approach in Mesa County, Colorado uses home visits by social workers to assess family needs, adjust the requirements of work plans, and provide intensive services to overcome such barriers as domestic violence, substance abuse, and child-rearing problems. More than two-thirds of the cases referred to the county's Intervention Program achieve compliance and avoid sanctions.

Leverage compliance by ending sanctions promptly after families comply: Many states impose sanctions that last for a specified period — often three or six months — regardless of whether or not parents comply and participate in work activities during this period. For example, about half of all states refuse to reinstate benefits during a first sanction even when parents come into compliance, and more than three-fourths fail to restore benefits upon compliance during second or subsequent sanctions. The result of such policies is to penalize the family rather than to provide an incentive for prompt participation. In other states, immediate reinstatement policies preserve incentives for parents to comply with work requirements at the earliest possible date.

Give families a "fresh start" after they demonstrate compliance: Under many state sanction policies, a second or third instance of noncompliance results in harsher penalties and can eventually lead to permanent disqualification. A more balanced approach allows families a "fresh start" if they demonstrate compliance over a substantial period of time. For example, parents in Florida who have been previously sanctioned and subsequently comply with work requirements for at least six months are "forgiven" for all past noncompliance.

This concept of a "fresh start" also can be applied to state policies that use past sanctions as a basis for denying extensions when families reach TANF time limits. Connecticut allows families that may not qualify for an extension of the state's 21-month time limit because of past sanctions to "restore good faith" by complying with a new plan. If a family successfully complies with the new plan, it can receive an extension of the time limit.

Access to Education and Training

Proposal

To expand education and training opportunities for TANF recipients in order to increase their future employment and earnings prospects while at the same time meeting federal work participation requirements.

Rationale

With falling welfare caseloads and more low-income parents entering the labor market, many states are beginning to focus their attention on the quality of jobs that current and former welfare recipients manage to obtain. Recent data suggest that most parents who move from welfare to work end up in relatively unstable jobs that pay too little to lift their families out of poverty. In the absence of new skills acquired through vocational and post-secondary education and training, such parents seem unlikely to obtain or advance into better-paying positions.

Research on the skills and earnings potential of welfare recipients and other low-income parents underscores the need for greater access to education and training. Numerous studies have documented that the majority of welfare recipients have education and skill levels below those required by most employers, and this "skills gap" is likely to widen as skill demands in many sectors of the economy increase. There also is substantial evidence that further education and training for welfare recipients can improve their chances of gaining economic independence. For example, one study estimated that women with an associate's degree earned hourly wages that were 19 to 23 percent higher than women with similar characteristics who lacked such a degree, and women with a bachelor's degree earned 28 to 33 percent more than their peers. These findings are consistent with other research showing that each year of post-secondary education generates a 6 to 12 percent increase in earnings.

Under the federal law, states can use TANF or MOE funds for education and training activities — including two-year or four-year post-secondary education — without limitation. Expenditures can include tuition and other educational costs, supportive services such as child care and transportation, and cash assistance for living expenses. (Note that TANF requirements, including the time limit clock, will apply if TANF funds are used to provide cash assistance.) Many states initially restricted access to education and training as part of a "work first" philosophy. In addition, some states also restricted access because federal TANF rules allow participation in education and training to count toward federal work participation rates only for up to 12 months and for 30 percent of the state's TANF caseload.

Only recently have states recognized that post-secondary education can be accommodated within a "work first" model. Due to caseload reduction credits included in the federal law, all states are meeting their work participation rates without difficulty. This fact, and the relatively low proportions of the caseload participating in such activities when states allow parents to do so, suggest that states have more flexibility in this area than they previously believed.

Design Options

A number of states have taken steps to expand education and training opportunities for TANF

recipients, and to make it more feasible for single parents who are caring for children to participate in such activities by reducing or eliminating additional work requirements. These changes in state policies fall into two general areas:

Allow participation in education or training to meet state's full work requirement: More than a dozen states now allow participation in education or training as a TANF work activity without any additional work requirements, even when the program is longer than 12 months.

- Illinois allows students to attend post-secondary education, vocational education, or training programs without also requiring work. The state also uses segregated state funds to stop the time limit "clock" for up to four years for full-time students with at least a 2.5 grade point average.

- Maine created a separate state program called "Parents as Scholars" which allows TANF-eligible individuals to attend two- or four-year colleges. After two years in school and during summer breaks, participants are required to work at least 20 hours per week.

- Kentucky increased the period during which post-secondary education or training alone could meet the state's work requirements from 12 months to 24 months. After 24 months of education or training, an individual can continue in school but must also work 20 hours per week. Welfare caseworkers are required by law to notify welfare recipients of these post-secondary education options.

Allow parents to combine classroom, study, and work hours: Other states continue to require that parents enrolled in school be engaged in work activities for at least a specified minimum number of hours, but allow parents to supplement time spent in the classroom with study hours and/or part-time work (including work-study).

- Michigan allows students to meet the state's 30-hour per week TANF work requirement through a combination of classroom, study and work hours. Parents can count up to 20 hours of "occupationally relevant" post-secondary education toward the work requirement, which can include up to 10 hours of study time. Participants must participate in other work activities for the remaining 10 hours.

- In Delaware, full-time students in good standing at an accredited or approved program of secondary education, post-secondary education, or vocational training can meet the state's 20-hour work requirement through classroom time alone. However, if classroom time does not total 20 hours, participants must spend the remaining hours in another work activity. No time limitation is imposed on these education or training activities as long as the minimum hours requirement is being met.

Transitional Jobs for People with Little or No Prior Work Experience

Proposal

To create publicly-funded, transitional jobs in private nonprofit and public agencies that will enhance the skills and employability of welfare recipients and noncustodial parents with little or no recent work experience.

Rationale

With unemployment rates relatively low in many parts of the country, many states continue to rely heavily upon private-sector job placement efforts to reduce their welfare caseloads. Over time, however, every state will be forced to address three labor market realities in order to sustain such caseload declines:

- Low levels of work readiness among longer-term recipients. As state caseloads decline, their welfare-to-work programs by necessity will reach recipients who have little or no prior work experience and need a chance to develop work habits and skills before moving into unsubsidized jobs.

- Depressed communities and remote areas with high rates of joblessness. Even in states with booming economies, depressed inner cities and remote rural areas typically have an inadequate supply of jobs. Transportation and relocation strategies may alleviate these problems but will not overcome job shortages.

- The possibility of future economic downturns at state, regional, or national levels. Prudent states and communities will recognize that the current period of national economic growth is relatively long by historical standards, and they will begin to develop welfare-to-work strategies that could be effective during a period of rising unemployment and a shrinking pool of private-sector jobs.

The creation of publicly-funded, transitional jobs in private nonprofit and public agencies can enable welfare recipients and noncustodial parents to earn wages and gain valuable work experience while also alleviating job shortages in distressed communities. These jobs, typically lasting six to nine months, can provide a much-needed "stepping stone" into unsubsidized employment for individuals with poor job prospects while also reinforcing the "work-first" philosophy which now guides many state welfare-to-work programs. Transitional jobs also can make work a realistic option in communities with an inadequate employment base or during periods of high unemployment.

Design Options

A basic approach to the creation of publicly-funded, transitional jobs for welfare recipients uses funds now provided as cash assistance to pay wages to participants. In states with higher benefit levels, the amount currently devoted to cash grants often is sufficient to cover the entire cost of wages associated with half-time work at the minimum wage. Under such circumstances, the additional costs associated with a transitional jobs program may be quite modest, involving only the costs of payroll taxes, reimbursement of work-related expenses, supervision, and program administration. More ambitious program designs could use available TANF or federal welfare-to-work funds to

enhance initiatives serving welfare recipients or noncustodial parents in one or more of the following ways:

- integrating formal education, vocational training, mentoring or other support services into the program;
- giving participants the opportunity to work more than 20 hours per week;
- paying wage rates that exceed the minimum wage; and
- disregarding a portion of earnings when calculating welfare benefits so that participants receive continuing cash assistance to supplement their earnings.

Under any transitional jobs program that provides earnings at least equal to prior cash benefits, participants will experience some increase in their overall income because they will qualify for the federal Earned Income Tax Credit (EITC). Eleven states also provide a state earned income tax credit. (See discussion at pages 9-10.) Wages paid to participants also are not considered to be "assistance" under TANF. As a result, time limit, child support, and other TANF requirements do not apply to participating families that are not continuing to receive supplemental grants through the state's cash assistance program.

Two states — Washington and Vermont — are operating statewide programs that create transitional jobs (also referred to as "community jobs" or "wage-based community service"). Pennsylvania also has begun paying wages to parents who are subject to the state's community service requirement after 24 months on welfare, and California's CalWORKs program allows counties to adopt a similar approach. New York State recently approved a demonstration project that will test transitional jobs in New York City and several other communities. In Wisconsin, Governor Thompson proposed a shift from unpaid "workfare" positions to wage-paying community service jobs in the state's "W-2" program but the measure was not approved during the 1999 legislative session.

A number of community initiatives also have been established by local leaders, who have relied primarily upon federal welfare-to-work funds that are under their control. Baltimore, Detroit, Philadelphia, and San Francisco already are operating transitional jobs programs, and new efforts are being planned or considered in many other cities (including Chicago, Louisville, Los Angeles, Memphis, Miami, and Minneapolis/St. Paul). State policy makers can promote the development or expansion of new community-level projects by designating transitional jobs as an option within state welfare-to-work programs or by establishing a competitive process that awards grants for these purposes to local public and nonprofit agencies.

The size of transitional jobs programs vary widely and can be easily modified to fit state or local budget constraints. New initiatives often begin as very modest pilot projects but provide the foundation for much more ambitious efforts — for example, Washington State began with only 540 jobs in five sites but now plans to serve 3,300 participants state-wide by June 2001. Other programs have started on a somewhat larger scale: Baltimore is planning to serve 1,100 participants, Detroit has 1,000 participants currently enrolled, and Philadelphia has the capacity to serve up to 750 participants.

Housing Assistance

Proposal

To provide rental subsidies to families who remain on welfare because their housing problems pose barriers to work, or to working families who may find it difficult to remain employed as a result of housing problems.

Rationale

Three-fourths of all poor families on welfare nationally do not receive federal housing assistance and must pay the full costs of housing in the private market. These families find it extraordinarily difficult to locate affordable housing. In 1995, some 76 percent of poor renters not living in subsidized housing spent at least half of their incomes on housing. This problem is not limited to families currently receiving welfare. A recent HUD study found that 1.1 million low-income working families with children faced severe housing cost burdens and/or lived in severely substandard housing.

Severe housing affordability problems can interfere with a parent's ability to find and retain work:

- **Housing problems create family instability.** Families who cannot afford adequate housing often are forced to move frequently, including doubling up with relatives or friends. In addition, inadequate housing has been linked to poor health among children — including lead poisoning — as well as to inadequate nutrition, perhaps because high housing costs constrain a family's food budget. A Tufts University researcher studying self-sufficiency programs in 13 states concluded that parents were not able to pay attention to work-related issues until their housing needs were addressed.

- **High housing costs prevent low-income families from moving closer to job-growth areas.** A survey of 77 metropolitan areas found that most low-skilled jobs are being created in the suburbs. Yet many welfare recipients live in central city or rural areas, where job prospects are more limited.

A housing program targeted on current or former welfare recipients whose housing problems are a barrier to work can be an effective component of welfare reform efforts. This assistance, provided as a voucher that can be used to pay for private rental housing, allows families to find decent housing in neighborhoods with better access to jobs or good schools. Housing assistance also offers a measure of security that enables parents to focus on employment goals and challenges.

Design Options

Some of the key choices to consider in designing a housing assistance program include:

Eligible families: A housing program in which eligibility is based solely on family income may be easiest to administer. Nevertheless, a housing program designed to promote welfare reform is likely to target families that either are current or recent welfare recipients. It also may require parents to work or participate in job preparation activities. In this case, parents who lose a job or reach the end of a training program often are allowed to keep assistance temporarily while they seek other employment.

Time limits: Current state and local programs impose time limits on housing subsidies that range from one to five years, primarily as a way of limiting costs. The impact of time limits can be softened by encouraging public housing agencies to give families participating in the state program preference for federal housing subsidies — thereby enabling many families to transition to federal housing aid when the state program ends — or by providing job training or other services to increase parents' earnings potential. Time limits as short as one year may limit the effectiveness of these strategies.

Subsidy amount: Housing vouchers can provide a fixed amount of assistance or they can be set to cover the difference between a fixed percentage of family income and actual rent costs (up to a specified limit). Larger subsidies will allow families to find better housing but are likely to result in fewer families served. If subsidies are too small, many families will find themselves unable to afford adequate housing near centers of job growth. Whatever levels are selected, the adequacy of the subsidy should be reviewed as evidence from implementation becomes available.

Funding sources: In addition to general state revenues, federal TANF or state MOE funds can be used to support a housing program for families with children, and the funding can be structured so as to avoid imposing TANF time limits on participants who are not receiving welfare cash assistance. States also can avoid time limits and other restrictions on these working families by transferring TANF funds to the Social Services Block Grant and then funding a housing program using SSBG funds.

Several states and counties operate housing programs for families that have left welfare for work or are attempting to make that transition. Connecticut provides vouchers for one year that pay rental costs exceeding about 40 percent of family income. New Jersey offers vouchers for three years, with the portion of rental costs paid by families rising from 45 percent of income in the first year to 65 percent in the third year. Families can remain in Minnesota's program for up to five years and pay at least 30 percent of their income in rent, with a maximum subsidy amount of $250 per month. Finally, San Mateo County, California offers rental vouchers for up to one year and sets the subsidy as a proportion of the family's rent.

Child Care for Children with Disabilities or Serious Health Conditions

Proposal

To expand the supply of child care that meets the needs of low-income children with disabilities or serious health conditions so that their parents can seek or retain employment.

Rationale

Many low-income parents have children with serious health conditions. An Urban Institute study found that one in five parents receiving welfare in 1991 had at least one child with a chronic medical condition. A more recent Michigan study found a similar prevalence of children with special needs: one in five mothers on TANF in one urban county reported that at least one of their children had a health, learning, or emotional problem.

The severity of children's disabilities or health conditions often prevents low-income parents from finding or retaining employment. The range of problems confronting such parents can be overwhelming:

- Many parents are unable to find competent child care or after-school care at an accessible location for a child who is disabled. Even when they succeed, they may be called away from work without notice to take their child to the hospital or a doctor or to administer a medication or therapy.

- Parents of children with emotional and behavioral disorders often are asked to remove their children from child care programs because staff are not trained to respond to their needs.

- Interviews with TANF parents of children with disabilities in a study in Michigan conducted by the Skillman Center for Children at Wayne State University suggest that caseworkers often do not understand their children's special needs, know very little about community resources that could help the family, and fail to recognize the ways in which the child's needs limit parents' ability to seek and retain work.

Particularly in rural communities with few child care options and in urban neighborhoods lacking adequate transportation services, the most important and appropriate activity for parents of children with disabilities or serious health conditions may be to remain at home to care for them. When this is not the case, however, states can tap a variety of funding sources to expand the supply of appropriate child care for children with special needs.

State and local governments as well as other agencies that receive federal funding — including funds provided through TANF, the Social Services Block Grant (SSBG), or the Child Care Development Fund (CCDF) — are required under both Section 504 of the Rehabilitation Act of 1973 and the Americans with Disabilities Act to ensure that children with disabilities and their families are not subject to discrimination in the provision of services and benefits. In state child care programs, states must develop child care systems that allow children with disabilities to utilize a range of appropriate, accessible, and inclusive providers. Specialized training of child care providers and TANF caseworkers, as well as a review of broader

TANF policies and rules to ensure that they adequately consider the needs and circumstances of children with disabilities and their parents, are likely to be needed to meet this goal.

Design Options

No single policy option or approach is likely to result in an expanded supply of child care for children with disabilities that meets the full range of current needs. Those strategies that seem most promising include: financial incentives to develop specialized child care services in inclusive settings; training and counseling for existing child care providers; and extra work supports for parents with children who have special needs.

Financial incentives to develop specialized child care services in inclusive settings: States can tap a broad array of federal funds — including TANF, CCDF, SSBG, and Individuals with Disabilities Education Act (IDEA) funds — to pay for child care for children with disabilities. While any of these funding streams can be used separately, it is possible to enhance the quality of specialized child care services by combining funds from two or more of these sources. In particular, states can serve both children with disabilities and those who are not disabled in inclusive settings by supporting the cost of locating nurses at child care centers, by establishing inclusive child care programs at elementary schools in partnership with local school systems, or by providing special grants for staff training or modification of facilities.

Higher reimbursement rates for providers that accept children with disabilities offer one key way to make it more feasible or attractive to serve this population. In a recent study, the American Public Human Services Association (APHSA) found that at least six states offer or plan to offer higher reimbursement rates for children with special needs: Alaska, Delaware, Kentucky, Missouri, Oklahoma and Oregon. Two other states, Utah and Michigan, provide supplemental grants to providers in recognition of the higher costs of caring for children with special needs. APHSA also reported that Florida, Louisiana, Montana, and North Carolina are implementing programs to encourage development of inclusive child care programs that serve children with disabilities.

Training and counseling for existing child care providers: States also can expand the supply of appropriate child care services for children with special needs by supporting specialized training and counseling for current providers. Expanded access to experts in the disability and health fields can enable child care providers to address more effectively the needs of children with emotional, behavioral, or other health problems. California, Connecticut, Kansas, North Carolina, and Washington State have such training initiatives underway.

Exempt parents from TANF work requirements when appropriate child care is not available: States are prohibited by federal law from reducing or terminating aid to parents with children younger than six who have "demonstrated inability" to locate child care. While developing better child care options for children with disabilities, states should take steps to ensure full compliance with this provision and extend this protection to parents who have older children with disabilities. Many states already exempt parents from work requirements if they are caring for a child who is disabled. Some states, such as Georgia and Illinois, may treat caregiving as a work activity when parents remain at home with children who are disabled. Education and training opportunities as well as specialized child care services should remain available whenever feasible for the exempt parents so that they can prepare for future employment outside the home.

ADDRESSING THE NEEDS OF SPECIFIC POPULATIONS

Services for Parents with Disabilities

Proposal

To meet the needs of low-income parents with disabilities through a range of case management, employment, and support services that promote work, and through the flexible use of exemption policies when work may not be appropriate.

Rationale

Parents with disabilities are one of the most vulnerable groups relying upon welfare for basic income support. Emerging evidence from states suggests that they often leave TANF without employment, and those that remain on welfare face multiple barriers to employment and eventual independence:

- In an Urban Institute study of a national sample of families who recently left welfare, more than one-fourth of the "leavers" who were not employed reported that an illness or disability prevented them from working.

- The Kansas Department of Social and Rehabilitation Services estimated that one in six adults remaining on its TANF caseload in early 1999 had physical or mental disabilities and were exempt from work requirements. The agency's estimates regarding similar problems among the non-exempt caseload were equally dramatic: nearly one-third were believed to have learning disabilities, an additional one-fourth were thought to have IQ's below 80, and an estimated one-fifth had substance abuse problems.

- Among participants in a multi-site demonstration project focused on ways to promote job retention for welfare recipients, nearly one in five reported that their health problems made it difficult for them to retain their current job.

States have a responsibility to ensure that their TANF programs comply with the civil rights provisions of the Americans with Disabilities Act (ADA). The availability of TANF funds also provides states with the opportunity to meet the diverse needs of very low-income parents with disabilities. Steps in this direction typically can be undertaken within the framework of existing TANF case management and welfare-to-work activities or other public and private programs serving people with disabilities. Strategies that tap the expertise and resources of state agencies and community groups already serving parents with disabilities, and that invest additional TANF funds in these programs when necessary, can greatly enhance the state welfare agency's capacity to help parents with disabilities move toward work and independence.

Design Options

State efforts to meet the needs of low-income parents with disabilities need to strike a careful balance. They should be designed to ensure that parents with disabilities can maximize their potential through education, training, and treatment that leads to eventual employment. At the same time, they should avoid inappropriate requirements and sanctions when parents are temporarily or permanently unable to work. Components of a comprehensive effort to serve parents with disabilities include:

Assessment and intensive case management to broker needed services: The first step in any effort should be a careful and thorough assessment of each parent's strengths and barriers to work. While trained welfare agency staff may be able to perform some of these functions, states should retain the services of professionals for more in-depth or specialized assessments. Because some barriers will not be immediately apparent, agency procedures also should permit staff and parents to revise individualized plans if additional barriers are identified so that parents receive the services and supports they need to succeed.

Intensive case management should be used to link parents to needed employment and support services, including job coaching, long-term mentoring, placements in supportive job settings, and procedures and training that accommodate any learning disabilities. Creation of publicly-funded, transitional jobs also may help parents with multiple barriers develop marketable skills and employment references.

Flexible exemption policies that respond to individual needs: Exemptions from work requirements should be structured to allow parents with disabilities to attempt to work while providing a "safety net" for them in the event of setbacks. A key element in such efforts is to preserve eligibility for employment services and work supports even when parents are exempt from work requirements. By doing this, states eliminate the element of risk a parent with disabilities faces when told that to get services that would help her to work, she must relinquish her exemption from the state's work requirement or time limit.

In addition, states can have a policy that time during which a parent has been exempted from work requirements due to disability does not count towards the time limit for receipt of benefits. In California, months in which parents are exempt from welfare-to-work activities because of disability or because they are caring for an ill or incapacitated family member do not count towards the state's 60-month time limit. In Massachusetts, the state's 24-month time clock does not run for families in which the parent or caretaker meets the state's disability standard or is caring for a disabled child or spouse. Massachusetts also does not count such months toward the federal 60-month TANF time limit. States can use segregated state funds, as Massachusetts does, so that parents with disabilities are not subject to federal TANF time limits while they attempt to move into the labor market. States also can establish a separate state program that allows more flexibility in time limits and work requirements.

Continuation of Medicaid: Individuals with disabilities cannot be expected to seek paid employment if the transition to work will jeopardize their access to health care. Because parents leaving welfare for work seldom receive employer-sponsored health insurance coverage, and because transitional Medicaid coverage lasts for only a very limited period of time, states should ensure that their broader Medicaid eligibility requirements will allow parents with disabilities who enter low-wage employment to keep their Medicaid coverage. States that currently have eligibility thresholds for parents set at very low levels can extend Medicaid coverage to all low- and moderate-income parents (whether or not they are disabled) under a new option included in the 1996 federal welfare law (see pp. 19-20 for details). As a result of recent state actions taking advantage of this new option, parents with disabilities who leave TANF for low-wage work in California, Connecticut, the District of Columbia, Missouri, Rhode Island, and Wisconsin have continued health care coverage through Medicaid beyond time-limited transitional health coverage.

Food and Cash Assistance for Legal Immigrants

Proposal

To provide food and cash assistance to low-income legal immigrant families who are ineligible for federal food stamp benefits or federal TANF-funded cash assistance due to the eligibility restrictions imposed by the 1996 federal welfare law.

Rationale

The 1996 federal welfare law made low-income legal immigrants ineligible for many forms of federal assistance. Although Congress restored food stamp benefits for a limited number of immigrants, federal food stamp benefits and TANF-funded assistance still are not available to large numbers of others.

The immigrant groups still ineligible for food stamps are: elderly immigrants who had not reached the age of 65 by August 22, 1996; immigrant adults who are not disabled; and immigrants of all ages, including children, who entered the country after August 22, 1996. Most children who entered the country before August 22, 1996 are now eligible for federal food stamps, but their parents' loss of eligibility has led to sharp reductions in families' overall food stamp benefits. These declines — as much as 50 to 70 percent in many cases — inevitably result in less food for all family members, including children.

The federal welfare law also denied most legal immigrants who enter the country on or after August 22, 1996 eligibility for federally-funded TANF assistance during their first five years in the country. In addition, some groups of immigrants who are lawfully residing in the United States and were previously eligible for AFDC — formerly known as PRUCOL immigrants but now classified as "unqualified" immigrants under the federal welfare law — were made ineligible for federal TANF-funded assistance regardless of when they entered the country.

These restrictions in food stamp and TANF eligibility have prompted concern for several reasons. Many legal immigrants have resided in the United States and paid taxes for many years. Most immigrants work and provide for their families, but they sometimes experience the same kinds of job losses or temporary hardships that force citizens to seek food stamps or temporary cash assistance. Food and cash aid during such crises can help parents return to work quickly while promoting the healthy development of their children.

Design Options

Food Assistance: A state-funded program can provide food assistance to all legal immigrants who are no longer eligible for food stamps. Important design considerations include:

- States can use both federal TANF and state maintenance-of-effort (MOE) funds to finance food assistance. State MOE funds are the best option because use of federal TANF funds would subject families to time limits, child support assignment, and other rules that do not apply to federal food stamp recipients.

- Federal law allows states to "purchase" food stamps from the U.S. Department of Agriculture or to use USDA-funded electronic benefit transfer (EBT) systems to assist legal immigrants who are not eligible for federal benefits.

- One way that states can reduce the cost of state-funded food assistance to legal immigrants ineligible for the federal program is by trying to maximize the amount of federal food stamp benefits going to citizens or eligible immigrants living in the same households. When calculating federal food stamp benefits in such mixed households, recent USDA guidance allows states to exclude income earned by any ineligible members of the household. In most cases, excluding the income of ineligible legal immigrants will increase the federal food stamp allotment of the eligible household members and result in a smaller shortfall in food assistance to be made up by a state program. Five states (California, Maine, Michigan, Missouri, and South Dakota) already utilize this approach.

Cash Assistance: States may use state MOE funds to provide cash assistance to legal immigrant families with children that entered the country on or after August 22, 1996 (and therefore are ineligible for federal TANF assistance for five years). Other lawfully present but "unqualified" legal immigrant families (who are ineligible for federal TANF or state MOE-funded assistance regardless of the date they entered the U.S.) can receive aid under state cash assistance programs as well, but state funds spent on their behalf cannot be counted toward state MOE requirements under TANF.

Seventeen states provide food assistance programs for legal immigrants. Nine states (California, Connecticut, Massachusetts, Maine, Minnesota, Nebraska, Rhode Island, Washington, and Wisconsin) are particularly good models because they offer the most expansive coverage of legal immigrants affected by the 1996 cuts. A total of 15 states (California, Connecticut, Hawaii, Maine, Maryland, Massachusetts, Minnesota, Missouri, Oregon, Pennsylvania, Rhode Island, Tennessee, Vermont, Washington, Wyoming) also provide TANF-like cash assistance both to qualified legal immigrants who entered the United States on or after August 22, 1996 and to at least some immigrants who are lawfully residing in the United States but classified as unqualified under the federal welfare law. Four other states provide this assistance to at least one of these two groups (Georgia, Nebraska, New Mexico, Wisconsin).

Services for Victims of Domestic Violence

Proposal

To identify welfare recipients who are victims of domestic violence and to provide them with comprehensive services that maintain their safety while helping them move toward economic independence.

Rationale

Recent research suggests that 15 to 30 percent of all welfare recipients are *current* victims of domestic violence. This threat to their safety and well-being can prevent many parents from entering the labor force, retaining jobs, and supporting their families. Domestic violence also can create obstacles for parents to complying with TANF work participation requirements, exposing them to the risk of sanctions and eventual loss of cash assistance.

Most states have addressed these issues to some extent by exempting domestic violence victims, when necessary, from work requirements. Twenty-seven states have formally adopted the Family Violence Option (FVO), an option under the 1996 welfare law which encourages states to provide services to domestic violence victims and gives penalty relief to states that waive certain program requirements for such individuals. A handful of other states are either in the process of adopting the FVO, or allow counties to decide whether to implement the option.

Despite these policy changes, the ability of welfare agency staff to identify victims of domestic violence and to ensure that they receive high-quality services varies widely across states. For example, some states fail to provide any services at all to victims of domestic violence after they are exempted from TANF requirements, because they require little contact with the welfare office. Lack of attention to this population is inconsistent with most states' goals of assisting all welfare recipients to be self-sufficient. In addition, although the FVO requires a trained staff person to perform an assessment and develop a service plan with domestic violence victims, most welfare caseworkers have not had sufficient training necessary to encourage self-disclosure of domestic violence or respond to the needs of victims.

Caseworkers who do not feel equipped to deal with domestic violence problems are not able to foster a supportive environment in which women feel comfortable disclosing their experiences of abuse. They may not ask basic screening questions that might prompt parents to indicate that they are being abused. For example, a recent study in one state found that nearly 70 percent of domestic violence victims did not disclose abuse to their caseworkers. When recipients do disclose violence, caseworkers may not respond appropriately. In the same study, three-fourths of those that disclosed abuse did not receive services or referrals. Lack of access to these services — such as safety and crisis planning; help with relocation of the parent's employment, training, or child care; counseling; or help navigating the court system — could cause parents who have no other economic or housing options to stay with abusive partners, putting them and their children at risk of further abuse.

Design Options

Most states provide caseworkers with limited basic training in domestic violence issues, or hire domestic violence specialists to work intensively with all recipients who have disclosed violence. Other states contract with an outside domestic

violence agency to provide services to TANF recipients. In either case, it is important for caseworkers to feel comfortable enough with domestic violence issues to create an environment conducive to recipient disclosure.

Domestic violence awareness in the TANF agency. Ongoing training and discussion for all TANF staff is important because it raises awareness of domestic violence issues and resources, fosters a more supportive environment for families experiencing abuse, and increases the likelihood that caseworkers will feel comfortable asking appropriate screening questions. If parents who disclose abuse are to receive counseling and other services on site, however, selected staff (usually licensed social workers) also should receive more extensive training as domestic violence specialists in order to work intensively with such parents, performing assessments and providing post-assessment services.

While most states provide limited basic training about domestic violence to all TANF caseworkers, Rhode Island goes beyond this model by providing caseworkers with intensive ongoing training designed to increase their sensitivity and comfort level with domestic violence issues. A handful of states (including Iowa, Nevada, Utah, and Vermont) rely upon specialized, in-house staff to provide intensive case management for families with special needs, including domestic violence victims. Several other states (including Maryland, New York, and Oregon) utilize domestic violence liaisons who have gone through intensive training and serve either an individual welfare office or a larger region.

Partnerships with domestic violence agencies. States can co-locate specialized domestic violence counselors from other public or private nonprofit agencies within TANF offices, or they can refer parents who disclose abuse for services at another site. In either case, an individualized assessment should be undertaken to determine whether a waiver from work requirements is appropriate, and then counseling and other services should be provided pursuant to a comprehensive service plan. This approach ensures that domestic violence victims are assessed by experts in the field to whom they might otherwise not have access and increases the likelihood that they receive targeted services designed to help them safely reach their employment and personal goals.

A number of states — including Maine, Nevada, Washington, Maryland, and Pennsylvania — have contracted with domestic violence agencies to provide services to TANF recipients in at least some communities. Other states such as Massachusetts, Kansas, and Texas have arranged for these domestic violence specialists from other agencies to work directly out of some local welfare office.

Rhode Island is one of the few states in which all local TANF offices have access to such outside specialists. Welfare caseworkers provide written notice to all TANF applicants and recipients about the criteria and process for applying for waivers from work requirements, as well as a description of resources available to help domestic violence victims. When a parent expresses interest in a waiver or services, a specialist from the state domestic violence coalition immediately comes to the office to conduct an assessment and to provide safety planning, counseling, and other services.

Services for Low-Income Noncustodial Parents

Proposal

To enhance the ability of low-income noncustodial parents to pay child support and build stronger relationships with their children through a combination of employment and social services.

Rationale

Noncustodial parents can be an important source of financial and emotional support for low-income children. Unfortunately, almost a third of custodial parents with child support orders do not receive any child support and another third of custodial parents only receive partial payments. Significant numbers of noncustodial parents also do not maintain ongoing relationships with their children. Surveys have found that between one-third to one-half of children in single-parent households have no direct contact with their noncustodial parent over a year-long period.

While some noncustodial parents are simply unwilling to provide financial and emotional support to their children, many noncustodial parents want to be involved in their children's lives — both financially and as a nurturer — but face considerable barriers. Noncustodial parents of poor children are often poor themselves and have limited ability to pay significant amounts of child support. The most disadvantaged low-income noncustodial parents are similar in many respects to custodial parents receiving welfare: they are young, lack high school diplomas, and have poor basic academic skills and limited work experience. Many also struggle to cope with substance abuse, legal problems, job discrimination, and lack of affordable transportation and housing. Low-income, noncustodial parents often face additional barriers when they attempt to build stronger relationships with their children, including conflicts with the child's custodial parent and the absence of their own role models for good parenting skills.

There have been few large-scale efforts to help low-income, noncustodial parents overcome employment barriers and become more involved in the lives of their children. Direct efforts to assist noncustodial parents have generally been limited to pilot or locally-based programs, in part because states have had little opportunity to use federal funds for these purposes. Recent changes in federal TANF rules and in eligibility criteria for federal welfare-to-work funds, however, now give states a broader array of options for financing services that seek to enhance the ability of low-income noncustodial parents to pay child support and build stronger relationships with their children.

Design Options

An effective program to increase earnings and child support payments among low-income noncustodial parents should combine employment services with social services that are designed to improve parenting skills and support regular visitation:

- Job training, education, and job retention or advancement services are key strategies for helping noncustodial parents obtain and keep better-paying, stable jobs.

- More disadvantaged parents may need access to publicly-funded, transitional jobs that help them build work histories and

skills, and that enable them to overcome barriers to employment posed by arrest records or hiring discrimination.

- Like custodial parents, noncustodial parents may need transportation assistance in order to find or retain employment.

- Finally, peer support services, counseling, and other activities can help noncustodial parents improve their parenting skills and strengthen connections to their children.

When developing a program that provides a combination of these services, states can attempt to serve all low-income, noncustodial parents within targeted communities or focus on specific groups, such as new fathers. In either case, effective outreach and referral mechanisms are crucial to program success. Possible sources of referrals include the court system, custodial parents, and community-based organizations that work with single adults. Some states have developed programs that target noncustodial parents who are being released from correctional facilities or who are on parole.

Successful programs for low-income, noncustodial parents also must be built upon strong collaborative arrangements between employment, child support, and community-based agencies. Past efforts have foundered in some instances because they failed to form partnerships with courts and child support agencies despite the key roles these entities play in the lives of noncustodial parents.

The clearest lessons regarding initiatives for low-income, noncustodial parents come from the evaluation of Parents' Fair Share, a national demonstration project that operated in seven cities (Dayton, Grand Rapids, Jacksonville, Los Angeles, Memphis, Springfield (MA), and Trenton) during the mid-1990's. Programs in these sites provided peer support, employment and training services, enhanced child support enforcement, and mediation services to noncustodial parents. The most effective sites involved the child support agency and a strong peer support program that emphasized parental responsibility. Although Parents' Fair Share increased child support payments in some sites, it was less effective at increasing participants' employment and earnings, probably due to most sites' emphasis on job search assistance and job clubs, rather than longer-term employment services.

Many states have developed plans to target noncustodial parents for job placement, retention, and post-employment services using federal welfare-to-work funds. While it is not yet clear how many noncustodial parents have been served by the Welfare-to-Work program, at least three states, Missouri, Wisconsin, and Nevada, are funding programs that target significant numbers of these parents. In addition, at least 30 competitive welfare-to-work grants focus on serving noncustodial parents. Altogether, about $370 million of Welfare-to-Work program funds are targeted towards serving noncustodial parents through state formula and competitive grants.

APPENDICES

APPENDIX A:
New Opportunities to Help Low-Income Working Families
Arising from the Definition of "Assistance"

The definition of "assistance" in the final TANF rules makes it clear that states can use TANF funds to provide a very broad range of benefits and services to low-income working families without triggering welfare restrictions. Key TANF requirements — namely the 60-month time limit, the assignment of a recipient's child support to the state, state work participation rates, and data collection on recipient families — do not apply to all uses of TANF funds. Instead, these rules apply when TANF funds are used to provide "assistance." The welfare law allows states to spend TANF funds on a broad range of activities, some of which closely resemble traditional welfare programs and some of which do not. For example, one of the purposes of the law is to reduce out-of-wedlock pregnancy. While a state can use TANF funds on pregnancy prevention programs, Congress did not intend that such help would count against a family's lifetime time limit. HHS thus faced the task of setting the definition of "assistance" to cover activities that serve purposes similar to traditional welfare programs.

Under the final TANF rules, "assistance" includes cash payments, vouchers and other forms of benefits designed to meet a family's ongoing basic needs such as food, clothing, shelter, utilities, household goods, personal care items, and general incidental expenses, although there are significant exclusions as described below. In short, benefits and services that serve the same purpose as a welfare check — helping a family meet basic needs on an ongoing basis — are counted against the family's time limit and trigger work participation and related requirements.

There are several types of benefits and services excluded from the definition of "assistance." These exclusions refine the definition in ways that make it more consistent with the law's goal of moving families to work. The exclusions include the following types of benefits and services.

- "Supportive services such as child care and transportation provided to families who are employed." *Benefits and services states provide to support employment among working families are not considered assistance.*

- Short-term benefits that address a specific crisis or episode of need that is not expected to lead to an ongoing need for aid. Aid for a particular episode of need cannot extend beyond 120 days, though families can receive such help more than once a year if they experience more than one crisis or episode of need.

- Refundable state earned income tax credits.

- Contributions to and distributions from Individual Development Accounts.

- Subsidies provided to employers to cover the costs of employee wages, benefits, training, or supervision.

- Services such as counseling and employment services that "do not provide basic income support."

The final rules thus establish a framework under which benefits and services that support work, as well as benefits and services that do not provide support for basic needs on an ongoing basis — either because the benefit is short-term or has no income effect — are not considered assistance. This definition of assistance allows states to use federal TANF funds to provide a range of supports to low-income families that do not otherwise receive cash assistance without running the family's 60-month TANF time clock, without triggering assignment and retention of child support, and without triggering the work requirements or data collection requirements that apply to TANF "assistance." For example, a state could create a monthly transportation allowance program that serves low-income working families without triggering TANF "assistance" consequences for those families.

The final rules also confirm that states can use different eligibility cut-off levels for different types of benefits or services. This means that a state could, for example, provide a (non-assistance) transportation allowance to working families with incomes under 200 percent of the poverty line even though the state uses a much lower income cut-off to measure eligibility for ongoing cash assistance.

The final TANF regulations are published at 64 Federal Register 17719-17931 (April 12, 1999). The regulations, an index, a fact sheet, and an executive summary are available at the HHS ACF Office of Family Assistance's web site at http://www.acf.dhhs.gov/programs/ofa/.

APPENDIX B:
States Have Increased Flexibility When Using MOE Funds

In the TANF framework, each state receives a block grant of federal funds that may be used for specified allowable purposes and that is subject to a set of federal TANF requirements. In order to receive federal block grant funds, a state must meet a "maintenance-of-effort" (or MOE) requirement which mandates that states spend at least 80 percent (or 75 percent if the state meets applicable TANF work participation rates) of state spending on AFDC-related programs in 1994.

While the federal welfare law places a number of restrictions on the use of TANF funds, some of these restrictions do not apply to the use of state MOE funds. States must use MOE funds for needy families and in a manner that meets one of the purposes of the federal welfare law. But if the state MOE funds are spent for a program that receives no federal TANF funds (often referred to as a separate state program), states need not meet work participation rates, subject recipients of the program to TANF time limit restrictions, or require that families assign their child support to the state with respect to these state funds. A state may decide, for example, to create a housing assistance program that helps welfare families move to areas with better job opportunities and then phase the subsidy out over a specified period of time once the family leaves welfare. In this situation, the state could choose to provide these benefits through a separate state program so that the participating families that have left welfare would not be subject to time limits or have to turn over child support because of receipt of housing assistance.

Until recently there has been a great deal of confusion and uncertainty about how much flexibility states had to use state MOE funds in separate state programs. HHS had initially discouraged states from maximizing the flexibility of state MOE funds through separate state programs. In the final TANF rules, however, HHS shifted its position and explicitly recognized separate state programs as a useful vehicle for maximizing state flexibility. HHS also clarified that a state can use separate MOE-funded programs to serve families with incomes above the established eligibility limits for ongoing cash aid.

If a state chooses not to establish a separate state program, it can achieve some greater flexibility by "segregating" federal TANF and MOE funds within a program. This option is particularly attractive when a state's primary objective is to increase its flexibility with respect to the federal 60-month time limit on assistance or the prohibition against TANF assistance to recent immigrants. Under the TANF rules, these restrictions apply only when families receive TANF-funded assistance; the restrictions do not extend to state MOE funds even if they are used within a program that is partially financed with federal TANF funds. To "segregate" state MOE funds in this manner, a state simply would use state funds to provide aid to certain groups of families (e.g., those who have received assistance for more than 60 months or those headed by recent immigrants) and use TANF funds to provide aid to other families. It is important to note, however, that under this approach other TANF requirements — including child support assignment and state work participation rates — still apply.

APPENDIX C:
How Benefits for Low-Income Families Can Affect Food Stamp Eligibility

With millions of low-income families with children receiving food stamps, policy makers designing a comprehensive program to assist these families can reasonably wish to weigh the impact on families' food stamp eligibility that different types of benefits might have. This should not be a primary consideration: an inefficient or marginally useful service does not become a bargain simply because it does not adversely affect recipients' food stamp benefits, and even when a benefit does reduce a family's food stamp allotment, the reduction is almost always less than half of the value of the benefit being provided. Still, understanding the food stamp implications of a proposal can help give policy makers a fuller understanding of its likely impact on recipient families.

The Basic Structure of the Food Stamp Program

The Food Stamp Program is designed to fill the gap between the money a family has available to purchase food and the estimated cost of a rather spartan diet. Food stamps generally are available to families with gross incomes below 130 percent of the poverty line if they do not have more countable resources than the Program's rules allow and if they meet various other eligibility requirements. (As it is unlikely that any of the benefits described in this publication would adversely affect a family's ability to meet the Food Stamp Program's resource requirements, food stamp resource rules are not addressed in detail here.)

The amount of food stamp benefits an eligible household receives is based on its income: the greater a family's countable income, the more money it is assumed to have available to purchase food and the smaller an allotment it receives. (Although countable resources exceeding the Program's limits can disqualify a family from receiving food stamps, as long as a family is eligible, the amount of its resources do not affect benefit calculations.) As a result, the Program's rules about what does and does not count as income are important to determining the likely impact of proposed policies on households' food stamps. In addition, when calculating a family's benefit level, the Program allows deductions for certain household expenses, such as child care or unusually high shelter costs, that can have a significant impact on the amount of money the family has available to purchase food.

The Food Stamp Program's Definition of Income

In general, the Food Stamp Program counts as income any gain or benefit in the form of money payable to a household and does not count in-kind benefits or services. Both of these rules, however, are subject to significant exceptions. The types benefits that are excluded from income that are relevant to the proposals set forth in this publication are:

- reimbursements that are provided and used specifically for an identified expense other than normal living expenses;

- in-kind or vendor payments paid to a third party for a benefit or service provided to a recipient household;
- non-recurring lump sums;
- needs-based donations from a non-profit up to $300 in a quarter; and
- loans.

Federal food stamp regulations describe the terms of each of these exclusions in more detail.

Which Benefits Described in this Publication Would Count as Income for Food Stamp Purposes

- **Benefits that likely would count as income for food stamp purposes:** increases in monthly cash assistance; cash assistance to immigrants; child support retained by the family including pass-throughs, child support assurance payments or increased child support collections; wages from publicly-funded transitional jobs; worker stipends.
- **Benefits that likely would not count as income for food stamp purposes:** services provided in-kind to low-income families or non-custodial parents, such as child care, job retention and advancement services, subsidized transportation, and work, education, and training programs; Medicaid coverage; state-funded food stamps for immigrants in the household.
- **Treatment of benefit for food stamp purposes depends on how the benefit is provided or other circumstances:**

  — Vouchers or vendor payments for housing probably would not count as income as long as they do not represent payments diverted from the family's monthly cash assistance benefits.

  — A state earned income tax credit (EITC) would be excluded from income calculations as a non-recurring lump sum payment if it were paid once a year as a tax refund, as most state EITC payments are. A state EITC added to a family's regular paycheck in a system similar to advance payment of the federal EITC would likely be counted as income to the family.

  — Short-term aid designed to respond to a temporary crisis would not count as income under food stamp rules in many situations because it could be excluded as a non-recurring lump sum, as a reimbursement, or as a vendor payment. In rare cases where none of these exclusions apply, it could be counted as income.

Further detail on any food stamp impacts of the initiatives discussed in this paper is available from the Center on Budget and Policy Priorities. The provisions discussed can be found in the Food Stamp Act's definition of income and resources (7 U.S.C. § 2014(d) and (g) respectively); in implementing regulations (7 C.F.R. §§ 273.8 and 273.9); and in additional guidance provided at the USDA website at www.fns.usda.gov.

APPENDIX D:
Resources for Additional Information

Studies, Reports and Resources of General Interest

Ed Lazere, *Welfare Balances After Three Years of TANF Block Grants: Unspent TANF Funds at the End of Federal Fiscal Year 1999*, Center on Budget and Policy Priorities, January 2000, http://www.cbpp.org

Helping Families Achieve Self-Sufficiency: A Guide on Funding Services for Children and Families through the TANF Program, Office of Family Assistance, Administration for Children and Families, U.S. Department of Health and Human Services, http://acf.dhhs.gov/programs/ofa/funds2.htm

Wendell Primus, Lynette Rawlings, Kathy Larin, Kathryn Porter, *The Initial Impacts of Welfare Reform on the Incomes of Single-Mother Families*, Center on Budget and Policy Priorities, August 1998, http://www.cbpp.org/8-22-99wel.htm

Sharon Parrott, *Welfare Recipients Who Find Jobs: What Do We Know about Their Employment and Earnings?* Center on Budget and Policy Priorities, November 1998, http://www.cbpp.org/11-16-98wel.htm

Kathryn Porter, Wendell Primus, *Recent Changes in the Impact of the Safety Net on Child Poverty*, Center on Budget and Policy Priorities, December 1999, http://www.cbpp.org/12-23-99wel.pdf

Liz Schott, Ed Lazere, Heidi Goldberg, Eileen Sweeney, *Highlights of the Final TANF Regulations*, Center on Budget and Policy Priorities, April 1999, http://www.cbpp.org/4-29-99wel.htm

Mark Greenberg, Steve Savner, *The Final TANF Regulations: A Preliminary Analysis*, Center for Law and Social Policy, May 1999, http://www.clasp.org/ pubs/TANF/finalregs.html

Mark Greenberg, *Beyond Welfare: New Opportunities to Use TANF to Help Low-Income Working Families*, Center for Law and Social Policy, July 1999, http://www.clasp.org/pubs/TANF/markKELLOGG.htm

Pamela Loprest, *Families Who Left Welfare: Who are They and How are They Doing?* Urban Institute, August 1999, http://newfederalism.urban.org/html/series_b/anf_b1.html

Devolution Survey on Health Care and Welfare Reform, W. K. Kellogg Foundation, January 1999, http://www.wkkf.org/ProgrammingInterests/Devolution/Survey/default.htm

State Policy Documentation Project, a joint project of the Center on Budget and Policy Priorities and the Center for Law and Social Policy, http://www.spdp.org

Providing Work Supports for Low-Income Families, Including Those Leaving Welfare

State Earned Income Tax Credits

Nicholas Johnson, *A Hand Up: How State Earned Income Tax Credits Help Working Families Escape Poverty*, Center on Budget and Policy Priorities, November 1999, http://www.cbpp.org/11-12-99sfp-sum.htm

Nicholas Johnson, *Estimating the Cost of a State Earned Income Tax Credit*, Center on Budget and Policy Priorities, November 1999, http://www.cbpp.org/11-11-99sfp.htm

Transportation Assistance

Margy Waller, Mark Alan Hughes, *Working Far from Home: Transportation and Welfare Reform in the Ten Big States*, Progressive Policy Institute and Public/Private Ventures, August 1999, http://www.dlcppi.org/texts/social/transportation.htm

April Kaplan, *Transportation: The Need to Address the To in Welfare-to-Work*, Welfare Information Network, June 1998, http://www.welfareinfo.org/transitneed.htm

Dana Reichert, *The Keys to Employment*, National Conference of State Legislators, NCSL LEGISBRIEF - August/September 1998 - Vol. 6, No.32, http://www.ncsl.org/statefed/welfare/keys.htm

Accessible and Affordable Child Care

Access to Child Care for Low-Income Working Families, Administration for Children and Families, U.S. Department of Health and Human Services, October 1999, www.acf.dhhs.gov/news.ccreport.htm

Helen Blank, Nicole Oxendine Poersch, *State Child Care and Early Education Developments: Highlights and Updates for 1998*, Children's Defense Fund, February 1999, http://www.childrensdefense.org/childcare/cc_resources_new.html

Rachel Schumacher, Mark Greenberg, *Child Care After Leaving Welfare: Early Evidence from State Studies*, Center for Law and Social Policy, October 1999, http://www.clasp.org/pubs/childcare/Child%20Care%20after%20Leaving%20Welfare.PDF

Helene Stebbins, *Improving Services for Children in Working Families*, National Governor's Association Center for Best Practices, 1998, http://www.acf.dhhs.gov/programs/ofa/ngachn/childr~1.pdf

Job Retention and Advancement Services

Maria Cancian, Robert Haveman, Thomas Kaplan, Daniel Meyer, Barbara Wolfe, *Work After Welfare: Work Effort, Occupation, and Economic Well-Being*, Institute for Research on Poverty, University of Wisconsin - Madison, February 1999, summary at http://www.ssc.wisc.edu/irp/pubs/foc202.pdf

Michael Fishman, et al, *Job Retention and Advancement Among Welfare Recipients: Challenges and Opportunities*, The Lewin Group, January 1999, http://www.lewin.com/library/documents/HS_web_pub_job_ret.pdf

Julie Strawn, *Beyond Job Search and Education: Rethinking the Role of Skills in Welfare Reform*, Center for Law and Social Policy, April 1998, http://www.clasp.org/pubs/jobseducation/beyondexec.htm

Short-term Aid

Barbara Sard, *The Use of TANF Funds to Provide Housing and Homelessness Assistance: Implications of the Final TANF Rules*, Center on Budget and Policy Priorities, August 1999, http://www.cbpp.org/8-13-99hous.htm

Resources for Welfare Decisions: Applicant Diversion and Welfare Reform, Welfare Information Network, October 1999, http://www.welfareinfo.org/pamresourceoct.htm

Expanded Health Care Coverage for Low-income Working Parents

Jocelyn Guyer, Cindy Mann, *Taking the Next Step: States Can Now Expand Health Coverage to Low-Income Working Parents Through Medicaid*, Center on Budget and Policy Priorities, August 1998 (6pp.), http://www.cbpp.org/702mcaid.htm

Jocelyn Guyer, Cindy Mann, *Taking the Next Step: States Can Now Take Advantage of Federal Medicaid Matching Funds to Expand Health Care Coverage for Low-Income Working Parents*, Center on Budget and Policy Priorities, August 1998, www.cbpp.org/8-20-98mcaid.pdf

Jocelyn Guyer, Cindy Mann, *Employed But Not Insured: A State-by-State Analysis of the Number of Low-Income Working Parents who Lack Health Insurance*, Center on Budget and Policy Priorities, February 1999, http://www.cbpp.org/2-9-99mcaid.htm

Supporting Families in Transition: A Guide to Expanding Health Coverage in the Post-Welfare Reform World, Health Care Financing Administration and Administration for Children and Families, U.S. Department of Health and Human Services, March 1999, http://www.hcfa.gov/medicaid/wrd/3229.htm or http://www.acf.dhhs.gov/news/welfare/welfare.htm

Provide a TANF or MOE-funded Service to Families Not Receiving Ongoing Cash Assistance to Ease the Food Stamp Vehicle Resource Limits

Sharon Parrott, Stacy Dean, *Food Stamps Can Help Low-Income Working Families Put Food on the Table*, Center on Budget and Policy Priorities, March 1999, http://www.cbpp.org/3-31-99fs.htm

See also, Appendix C

Incentives to Pay Child Support

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APPENDIX E
LIST OF PROPOSALS CITED IN THIS REPORT

PROVIDING WORK SUPPORTS

Proposal	Selected state/local examples cited in this report	Suggested funding sources	Page
Worker stipends	Texas (pilot)	TANF/MOE	7
State earned income tax credits	Colorado, Iowa, Kansas, Maryland, Massachusetts, Minnesota, New York, Oregon, Rhode Island, Vermont, Wisconsin	General state funds and TANF/MOE	9
Transportation assistance			
• Income-based transportation subsidies	New Mexico	TANF/MOE	11
• Providing funds to support car purchase	Kansas, Nebraska, Michigan, Pennsylvania		
• Support car donation programs	New York, Vermont, Texas, Florida, Virginia		
• Coordinating paratransit alternatives	Kentucky		
Child care			
• Affordable co-payments	Kentucky, Oklahoma, Illinois	TANF/MOE, CCDF, SSBG	13
• Access to care during non-standard hours	District of Columbia, Illinois, Washington, Missouri, Ohio, West Virginia, Arkansas, California, Florida, Idaho, Pennsylvania, Virginia, Wisconsin		

PROVIDING WORK SUPPORTS (cont.)

Proposal	Selected state/local examples cited in this report	Suggested funding source	Page
Job retention and advancement services			
• Help recipients get better jobs initially	Portland (OR), Alameda County (CA), Butte County (CA), Baltimore (MD)	TANF/MOE, other federal funds	15
• Provide extended case management services to employed families	Rhode Island, Vocational Foundation, Inc., (NY)		
Short-term aid			
• Emergency assistance programs that provide aid to prevent homelessness or utility cut-offs	31 states	TANF/MOE	17
• Cash diversion programs that cover low-income families not eligible for welfare	Indiana		
Expand health care coverage for low-income working parents			
• Broad-based expansion for all low-income families	Wisconsin, Rhode Island, California, Missouri, District of Columbia	State and federal Medicaid funds	19
• Time-limited expansion or extended transitional coverage	Ohio, North Carolina, South Carolina, New Jersey		
Provide a TANF or MOE- funded service to families not receiving ongoing cash assistance to ease the Food Stamp vehicle resource limits	Michigan, Washington	TANF/MOE	21
Increase incentives to pay child support			
• Child support pass-through and disregard	Nevada, Connecticut, West Virginia	TANF/MOE	25
• Incentives that directly subsidize the payment of child support		MOE, general state funds	
• Child support assurance	New York (county option), California (county demonstrations)	MOE, general state funds	

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ADDRESSING BARRIERS TO WORK

Proposal	Selected state/local examples cited in this report	Suggested funding source	Page
Increase cash benefits	Montana, Vermont, Mississippi, Tennessee, Texas West Virginia, California, Idaho, Maine, Maryland, New Mexico, Ohio, Utah	TANF/MOE	29
Increase work participation among families that not complying with work requirements			
• Assess reasons for non-compliance before imposing sanctions	Tennessee, Mesa County (CO)	TANF/MOE	31
• Give families a "fresh start" after they demonstrate compliance	Florida, Connecticut		
Access to education and training			
• Allow participation in education and training to meet state's full work requirement	Illinois, Maine, Kentucky, Delaware	TANF/MOE	33
• Allow parents to combine classroom, study & work hours	Michigan, Delaware		
Transitional jobs for people with little or no prior work experience	Washington, Vermont, Pennsylvania, California, New York, Baltimore (MD), Detroit (MI), Philadelphia (PA), San Francisco (CA)	TANF/MOE, Welfare-to-Work funds	35
Housing assistance vouchers	Connecticut, New Jersey, Minnesota, San Mateo County (CA)	TANF/MOE, general state	37
Child care for children with disabilities or serious health conditions			
• Provide financial incentives to develop specialized child care sources in inclusive settings	Alaska, Delaware, Oregon, Missouri, Oklahoma, Kentucky, Utah, Michigan	TANF/MOE, CCDF, SSBG, other federal funds	39
• Create state programs that encourage development of inclusive child care	Florida, Louisiana, Montana, North Carolina		
• Provide training & counseling for existing child care providers	California, Connecticut, Kansas, North Carolina, Washington		

ADDRESSING THE NEEDS OF SPECIFIC POPULATIONS

Proposal	Selected state/local examples cited in this report	Suggested funding source	Page
Services for parents with disabilities			
• Assessment & intensive case management to broker needed services		TANF/MOE	43
• Flexible exemption policies that respond to individual needs			
• Time clocks do not run during time that parent is exempt	California, Massachusetts		
• Provide Medicaid coverage for parents who work	Connecticut, District of Columbia, Missouri, Rhode Island, Wisconsin	State and federal Medicaid funds	
Food & cash assistance for legal immigrants			
• Food assistance	California, Connecticut, Massachusetts, Maine, Minnesota, Nebraska, Rhode Island, Washington, Wisconsin	TANF/MOE, other state funds	45
• TANF-like cash assistance	Above states plus Hawaii, Maryland, Missouri, Oregon, Pennsylvania, Tennessee, Vermont, Wyoming, Georgia, New Mexico	MOE, other state funds	
Services for victims of domestic violence			
• Increase domestic violence awareness in TANF agency	Rhode Island, Iowa, Nevada, Utah, Vermont, Maryland, New York, Oregon	TANF/MOE	47
• Partner with domestic violence agencies	Maine, Nevada, Washington, Maryland, Pennsylvania, Massachusetts, Kansas, Texas, Rhode Island	TANF/MOE, other state and federal funds	
Services for low-income noncustodial parents	Missouri, Nevada, Wisconsin	TANF/MOE, Welfare-to-Work funds	49